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The Internationalization of a Portuguese Small and Medium Enterprise: the Case of  
Vale da Rosa

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## **The Internationalization of a Portuguese Small and Medium Enterprise: The Case of Vale da Rosa**

### **Abstract**

Trade liberalization, the opening of new markets, as well as, the stagnation of traditional markets have posed SMEs new challenges. Several times due to the saturation of domestic markets, SMEs are looking for expansion opportunities overseas, more significantly in emerging markets. This is the case of many Portuguese SMEs.

The purpose of this thesis is to analyze the expansion process of a Portuguese SME, Vale da Rosa, into the Angolan market. Vale da Rosa produces seeded and seedless grapes, and the aim, was to assess how the firm could increase market penetration in Angola, which is a significant importer of Portuguese food products. The information needed was gathered through the performance of interviews to a member of the firm, as well as, collection of secondary data. Moreover, the purpose was also to understand Angolan consumers' behavior as well as perceptions of the brand, which would be relevant to the elaboration of recommendations. This information was gathered through a survey. Therefore, the study allowed to understand, which strengths could the firm leverage and the weaknesses it had to overcome in order to take advantage of the opportunities and surpass the challenges identified. It was concluded that the firm could either increase market penetration through increase in exports and through engagement in a strategic alliance. To do this, it would be relevant for the firm establish contacts in the market, as well as, leverage its network.

Keyword: Internationalization Strategy, Small and Medium Enterprises (SMEs), Vale da Rosa, Angola, Table grapes' market

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## **1. Introduction**

Various factors have pushed firms to expand their business into new markets. A crucial aspect concerning the internationalization process of firms refers to the selection of the foreign market and the most suitable entry mode. These decisions demand a thorough planning from firms and a great amount of resources (Kaffash et al., 2012).

### **Globalization and Internationalization**

The globalization process, the improvements in communication technologies and in transportation systems have led an increasing number of companies to engage in the internationalization process. Globalization has made the boundaries between national and international markets more blurred (Knight, 2000). This has impacted consumers' behavior, leading to the convergence in consumer needs and the appearance of worldwide segments. The globalization process has meant the lowering of trade barriers and the advances in technologies have led to knowledge exchanges, as well as, new kinds of economic transactions, such as e-commerce, that were not possible in the past. This has made internationalization of small and medium enterprises (SMEs) easier and swifter, even for countries geographically distant from their home country (European Commission 2007; Hessels and Kemma, 2008).

The internationalization of a firm can be defined as “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988). Conventional frameworks concerning the internationalization process of firms were based on the internationalization of larger firms. Only recently internationalization of SMEs has gained more relevance, reproducing a trend that emerged in some countries, namely those with balance payment deficits, of encouragement of SMEs to engage in international activities in order to enhance economic growth, reducing unemployment rates, enhance the competitiveness of the country (Oliveira and Teixeira, 2011).

### **SMEs**

There is no common definition of SMEs across the world. In Europe, the definition of a small and medium enterprise encompasses firms with less than 250 employees and an annual turnover of 50 million (European Commission, 2013).

SMEs are of extreme importance for the economic growth, as well as, for the generation of jobs in Europe. According to a study of The Economist Intelligence Unit, small and medium enterprises employ two-thirds of all Europeans (The Economist Intelligence Unit 2011).

Trade liberalization, the opening of new markets, as well as, the stagnation of traditional markets have posed SMEs new challenges. Several times due to the saturation of domestic markets, SMEs are turning themselves to foreign markets, more prominently for emerging markets. Nevertheless, other factors may lead SMEs to search for opportunities in other markets, such as: reduction of costs due to economies of scale and scope, finding of new customers, searching for complementary assets, and development of network relationships (The Economist Intelligence Unit 2011).

### **Internationalization of SMEs**

The internationalization process comprises various risks and uncertainty, while demanding often a great amount of resources, as well as, know-how of the foreign market. While internationalizing, firms choose the mode of entry as well as the pace of the whole process. There are different modes of entry: exporting, licensing, franchising, joint ventures and wholly owned subsidiaries. Each mode encompasses advantages and disadvantages that should be evaluated by the company before choosing the most suitable mode, taking into consideration the specific characteristics of the enterprise as well as country specific resources (Grant, 2010). Also a major challenge for many SMEs relates to the selection of a partner in the foreign market (The Economist Intelligence Unit 2011).

Comparing to large firms, SMEs have a lower amount of resources and lower ability to deal with losses, reduced access to finance and narrowed economies of scale and scope that affect the firm's capacity to compete on prices, as well as, lower capacity for dealing with some internationalization costs. Due to the lack of knowledge about markets overseas, and constraints in terms of resources it can be identified four types of difficulties in internationalization: liability of expansion, liability of newness, liability of foreignness and perceived risk. The liability of expansion refers to the extra costs the firm incurs in order to engage in international activities. These costs



may be related with distance and coordination of business activities in different geographic locations. The liability of newness refers to the costs of establishing activities in a new competitive environment, which comprise the costs of finding partnerships, as well as, the costs of negotiating and ensuring compliance of contractual agreements established. The liability of foreignness refers to the costs of acquiring knowledge of the local culture and institutions. Lastly, perceived risk refers to the capacity, or the lack of it, of establishing complete contracts and having the means to defend their rights (Falize and Coeurderoy, 2012).

However, small firms may also have greater flexibility, closer contact with customers, faster decision-making processes and higher capability to target niche markets, which also provide them with advantages when exploring new business markets (The Economist Intelligence Unit 2011).

However, internationalization may be seen as a catalyst for SME competitiveness, as companies exploring opportunities in foreign markets have demonstrated to be more innovative and to have more capacity to consistently grow (European Commission, 2007).

### **Emerging Markets**

Emerging markets as Angola, are attracting, more and more, SMEs, not only due to their amazing economic growth, and consequent expansion of the middle classes, but also due to the financial crisis that affects many developed economies. The economies of emerging markets are growing at a much swifter pace than the economies of developed countries, being predicted that the combined GDP of the emerging economies surpasses that of developed economies by 2015 (Deloitte 2012). Moreover, the prospects of growth are very weak in Europe and it has been registered an increase in the fiscal burden of companies (The Economist Intelligence Unit 2011). Concerning European economies, it is expected, that in 2013, the annual GDP in the Euro area, contracts by 0.25%. Regarding the countries with severe economic problems the growth rates of GDP for 2013 are forecasted to be negative, being for Portugal -1.9 %. In what regards, other countries in the European Union, countries like Germany and Austria are expected to have growth rates of 0.5% and 0.7%, respectively. When comparing these growth rates with some of the emerging

countries, it is possible to find huge disparities, with countries like China, having forecasted growth rates of 8% (European Commission, 2013).

The choice of the market is influenced by various factors such as: growth rate, level of risk, geographical location and historical links. Small and medium enterprises seek to explore markets that are expanding swiftly but are not extremely risky, are easier to access, not only physically, but also culturally, and in terms of language and markets in countries with which their home country is historically close to (The Economist Intelligence Unit 2011).

While entering in these markets SMEs are posed various challenges such as volatility in exchange rates, inflation, language and cultural barriers, poor infrastructure, and also bureaucracy and corruption, which are considered highly relevant barriers (The Economist Intelligence Unit 2011).

An important aspect firms need to take into consideration while entering these markets, concerns the possibility of the characteristics of these markets differ significantly from those of developed markets, needing firms to customize their operations to the local culture, customers' needs and wants, regulations and partners and suppliers competencies (Accenture Research, 2011).

The purpose of this master thesis is to analyze empirically the expansion process of Vale da Rosa, a table grape producer, to the Angolan market, namely the strategies the firm should pursue to increase market penetration. Firstly, it is performed an analysis of the firm, its resources, competences, network and activities, through the performance of interviews to the head of marketing and external relations, and collection of numerical data near the commercial and financial director and a shareholder of the firm. Further, it is studied the context in which the firm is inserted, at the national and international level. Afterwards, the international activities and the internationalization process of the company, to the various markets, in which it is present, is analyzed. Subsequently, it is studied in detail the Angolan market, its business environment, international trade, the retailing sector and it is performed an industry analysis in the Angolan market. Thenceforth, two strategic tools, SWOT and TOWS, are used to identify opportunities and threats the firm could take advantage in the market, and which strengths the firm could exploit and which weaknesses the firm needs to overcome to benefit from the opportunities and surpass the threats identified in the market. Lastly, ways to increase market penetration were suggested, being established milestones and a marketing strategy for the firm. Therefore, it is analyzed

the internal and external environment in order to establish a strategy, considering in this sense resources and skills of the firm and opportunities and risks in the environment.

The reason for the choice of the topic of this master thesis is mostly related to the fact that for the firms of several European countries, namely of the countries mostly affected by the crisis, internationalize, especially to emergent economies, is an imperative to remain successful. Besides, the fact that a great percentage of firms in Portugal and in Europe are small and medium enterprises generated interest in studying the topic. Further, as a Portuguese citizen, it was possible to attest that Portuguese firms are being affected by negative external factors, resulting from increasing tax levels and decreasing purchasing power and consequently, decreasing levels of consumption, making therefore expansion to new markets a requirement and an increasingly recurrent situation.

## **2. Objectives of the study and research questions**

Given the increasing debate about the importance of emerging markets in the world economy, and the rising number of firms looking for opportunities in those markets, this master thesis will be centered on the internationalization process of a Portuguese small and medium enterprise to the Angolan market.

Therefore, the purpose of this master thesis is to understand the internationalization process of Vale da Rosa, and more specifically the focus is on a case study of the internationalization process to Angola, through an examination of its main resources and competencies, its internationalization motives and the selected mode of entry, concluding by proposing ways through which the company may increase its market penetration. Therefore, it was used a case study methodology (Saunders, Lewis and Thornhill, 2009).

Some objectives were determined:

- Understand the influence of the resources and the competences of the firm in the internationalization process and their impact in the competitive advantage of the company.
- Understand the importance of the network of the company in the internationalization process.
- Identify which were the major risks and challenges the company faced in the internationalization process.
- Understand which internal or external factors may have led the firm to internationalize.
- Determine the market size of grapes and seedless grapes in Angola and its future prospects.
- Identify which type of threats may influence the future success of the company in the market.
- Recognize what are the main opportunities the firm should take advantage in order to increase market penetration.
- Identify the resources the firm needs to commit to expand its activities in Angola and the marketing strategy the firm should follow

### **3. Methodology**

Both primary and secondary data was gathered to achieve the objectives stipulated.

The study of this master thesis was based on secondary data, collected through the use of scientific articles, papers and theses on the area, as well as, data from reports elaborated by the European Commission. Moreover, in terms of secondary data it was also gathered data from the company's website, as well as, from some newspaper and magazines' articles.

Insights about the Angolan market, in general, and more specifically related to the sector in question were obtained, through governmental websites, papers and theses on the area, as well as, from reports from Aicep Portugal Global, which is an institution that provides Portuguese companies information about foreign markets. Some information about exporting to the market was also gathered in a Conference, "Novo Regime de Inspeção Pré-Embarque para Angola", attended in 25<sup>th</sup> of July of 2013. Theoretical frameworks were applied to the firm's case to better understand the internationalization process of this enterprise.

To obtain more information to build the case study, it was also used primary data. It was collected through three in-depth semi-structured interviews (Annex 1) that were performed to a member of Vale da Rosa, Dr. Ricardo Costa, responsible for the marketing and external markets. The first interview was intended to gain a deeper knowledge about the company and the second one to obtain a greater understanding about the internationalization process to Angola, as well as, the third one. Further, Dr.<sup>a</sup> Carolina Silvestre, a shareholder of the company, and Dr. Carlos Rodrigues, the financial director of the firm, also provided some financial data. The interviews allowed for face-to-face contact and to the interviewee to speak more freely and then obtain a greater amount of information.

Due to difficulty in gathering data about the Angolan market, it was also performed fieldwork through an acquaintance in the country, in order to collect information about the prices of the table grapes in Angola. It were collected prices of table grapes, in two major retail chains. Fieldwork was also performed to collect the prices of the products in the Portuguese market.

It was also performed a survey (Annex 2) through the Internet to people living in Angola (this condition is assured through a filter in the survey) to understand better,

consumer behavior and opinion regarding the consumption of seeded and seedless table grapes and factors influencing the purchase, as well as, prices and available information. This survey was self administered through a social network, in order to reach an extensive number of people. The survey was subjected to a pilot testing by 10 people, in order to make sure the questions were the most clear and suitable as possible. The software used to elaborate the survey was the Qualtrics.

Further, in order to fulfill the objectives abovementioned theoretical frameworks were applied to the case. It was built a value chain (Porter, 1985) in order to understand which activities are the most important to the firm and their strategic importance to cost and consumers' willingness to pay. Further, it was performed a VRIO analysis in order to understand which assets give the firm competitive advantage and an industry mapping to gain an understanding of the importance of the network of the firm. Moreover, it were performed a SWOT and a TOWS analysis in order to realize how the strengths of the firm can be leverage and how can weaknesses be surpassed to overcome threats and tackle opportunities. Besides, it was applied the 4P's and 4M's models to design an implementation plan to the case.

#### **4. Firm's internal scanning**

##### **4.1 Description of the firm**

Herdade Vale da Rosa was founded in 2000 by António Silvestre Ferreira. It was the continuation of a family business, that started in 1960, under the name of Herdade do Pinheiro, and that was interrupted in 1976, due to the 1974 Portuguese Revolution. The business was resettled in 2000 under the name of Vale da Rosa.

Vale da Rosa produces both seeded and seedless grapes, being the main Portuguese producer of seedless grapes, which constitutes a product presenting high demand not only domestically but also internationally. The company produces high-quality table grapes in 230 ha of land in Portugal, with 100 ha of seedless grapes and 130 ha of seeded grapes, producing in total 5000 tons of table grapes. It is important to mention that the firm possesses a large production area when compared to the Portuguese standard agricultural property. Despite the fact that a larger area is allocated to the production of seeded grapes, the main focus of the company, are the seedless grapes, intending the firm to expand the production of this type of grapes. The owner considers the increased consumption of this type of grapes a global trend (Diário Económico, November, 2013). This type of grapes appeals to very demanding consumers, including young consumers (Agro Notícias, 2011).

Seedless grapes are not genetically modified products. Seedless grapes have always existed but they presented no commercial value due to their very small size. Only through research was possible to increase the size of this type of grapes, making them worth to be marketable. Therefore, to produce seedless grapes, the firm had to establish partnerships with international firms specialized in the development of seedless grapes. Vale da Rosa produces six varieties of seedless grapes: Sograone, Sophia and Thompson, in what concerns white grapes, and Midnight Beauty, Autumn Royal and Crimson, regarding the black grapes. A great number of varieties is important given that all types have different harvest periods within the calendar of production (From June to November) and different endurance to environmental aggressions, existing one variety that is not usually exported due to its fragility, Sophia.

The company has 80 full-time employees and during harvest period, which occurs between June and November, the number of employees can reach the 600.

In 2012 the firm received the “PME Agrícola 2012” prize (Correio da Manhã, 27/12/2012). In 2012 the revenues were 7,5 millions of euros and they are expected to reach the 8,5 millions this year (Diário Económico, 2013).

**Mission:** The firm intends to fulfill the needs and wants of the more demanding consumers, always willing to produce original and different products, which can only be obtained through continuous testing and development of new grape varieties.

**Vision:** Vale da Rosa aims to be seen as a well-known and innovative brand in a commodity market that continuously develops and test new varieties of the product, recognized, not only in domestic market, but also in foreign markets. So, the firm strives to achieve high brand recognition and become a branded commodity that is easily distinguished in its main stakeholders’ minds (retailers, consumers, media), maintaining a premium positioning.

It is important to mention that branded commodities sell for higher prices than the ones of their competitors and have more power while negotiating with large retailers. In the creation of distinctive commodity brands, different attributes can differentiate a commodity from competitors, being these attributes divided in functional and emotional. Within the functional benefits are included, taste, quality standards, and usage and, within the emotional benefits, are comprised provenance, social responsibility and exclusivity (Docherty, 2012). In terms of functional benefits Vale da Rosa has been focused on quality standards and in terms of the emotional benefits message, Vale da Rosa has been focused on social responsibility.

**Social Responsibility:** Vale da Rosa established a partnership with Instituto Politécnico de Beja and created a project denominated “Summer Field 2013” in which the firm pays the tuition fees of 20 students and, in exchange, they work in the company during summer time. This CSR activity is important to create brand awareness, trust and reputation due to positive associations in consumers’ mind, and may also be a way to attract future qualified human resources for the firm.



**Strategic objectives:** Vale da Rosa aims to increase profits and international market share by strengthening their positioning in markets as China and Angola and by entering in Middle East markets, as Dubai.

**Certifications:** An important distinctive factor for the firm is the quality assurance, possessing the firm various certifications. The firm's production is certified under the Integrated Production of GlobalGap and Tesco's Nature Choice, and, its warehouse is certified by the British Retail Consortium (BRC). The objective is to assure consumers the most rigorous quality control of all production process and packaging of the products. The NSF-Cmi (one of the most reputed food assurance brands) also certifies the products' quality (Vale da Rosa, 2010). These certifications of quality are an important factor to enhance the firm's competitive position in the table grapes' market, as they are an assurance by independent parties of the firm's high quality standards. Hence, the awards create value, which may be especially relevant when the firm intends to export (See Annex 3 for greater explanation of these certifications).

**Prices in Portugal:** The price (PVP) of seedless grapes is usually 3,99€/kg at most of the supermarkets, but in a gourmet supermarket (Apolónia) they can reach 4,99€/kg. Seeded grapes are usually commercialized at 1,99€/kg. As it is possible to verify, the price of the seedless grapes is the double of the one of the seeded grapes.

**Main Competitors in the Domestic Market:** In the Portuguese table grape market, the main competitors of Vale da Rosa are Dona Uva and Rodrifrutas. These two companies decided to produce table grapes jointly, producing annually 4000 tons of table grapes. A distinctive feature from Dona Uva and Rodrifrutas relatively to Vale da Rosa is that the formers only produce one variety of seedless grapes, being the production centered in seeded grapes, contrarily to what happens with Vale da Rosa, which produces six varieties of seedless grapes. Further, Dona Uva and Rodrifrutas only sell to the domestic market. These two companies entered in the market in 2007, being therefore producing for a smaller period of time than Vale da Rosa (Dona Uva, 2013).

In the Portuguese table grape's market, the main international competitors of Vale da Rosa are Italian and Spanish producers of table grapes. Regarding Spanish competitors, Vale da Rosa competes with the following firms: El Ciruelo, El Reclot

and Uvasdoce. Concerning Italian competitors, Vale da Rosa competes with Agricoper, Dr. Franco Pignataro SRL, Giacobelli and Giuliano (FreshPlaza, October, 2013). Nevertheless, Spanish and Italian producers are also strong competitors in international markets.

#### **4.2 Vale da Rosa's Value Chain**

In order to understand through which activities the company creates value and builds competitive advantage, it is used the Porter's value chain (Porter, 1985), in which the activities of the firm are divided in primary and secondary. The analysis of the firm's activities allows, to understand, dissimilarities in costs when compared to competitors and differences in consumers' willingness to pay for the firm's products relative to the ones of the competitors (Ghemawat and Rivkin, 2006). Within the primary activities are comprised, operations (production), marketing and sales and distribution (inbound and outbound logistics). The secondary activities include firm infrastructure, human resources management and technology development and procurement (Grant, 2010).

##### **Primary activities**

**Operations/Production:** The production is in-house, as well as, the packaging. The firm's production system is the Pergola system, which uses plastic covers and nets, recreating the conditions of a greenhouse, allowing the creation of the ideal conditions for the development of the grapes and the extension of the harvest period. This system enhances the grape's flavor and nutritional qualities. To produce under this system the firm has partnerships with firms in countries with tradition in the production of table grapes under this system, as Chile and USA, for occasional exchanges of knowledge. Therefore, these partnerships generate value for the firm, as they are highly important for the production of high quality products.

In total, the company produces 5000 tons of grapes. However, it has made major investments in order to expand its production process, and so next year, due to investments made the company is expected to produce more 1000 tons, reaching the 6000 tons. This is important, as scale is a cost driver given that costs decrease with its increase, since with the increase in scale, fixed costs can be spread over more units,

generating value for the firm. Moreover, scale allows the firm to move more along the learning curve, which also creates value.

The production process is a thorough process, in which, there are various quality control phases and mechanisms: selection of bunches of grapes, as well as, berries, and measurement of the caliber of each grape. After the harvest, the grapes are rapidly transported to cold fridges in order to be submitted to a thermal cold shock to preserve all their nutritional value. The packaging is also controlled by the company and performed with all the carefulness in order to preserve the quality of the product. The timely performance of all of these processes is also a value generator for the firm, as they allow the firm to offer its products with the quality desired.

Moreover, Vale da Rosa hired a firm, Risa Consulting, to assist it in the compliance with national and EU requirements in terms of food safety and traceability in the operational activities of the firm. This is performed by a software, developed by Risa, expressly designed to food, and which helps firms to respond to a rising number of food safety requirements and traceability, along with, a precise and proficient operational management (Risa Consulting, 2013).

All these quality control procedures increase consumers' willingness to pay, given that nowadays consumers are more demanding regarding products' certifications and origin.

**Marketing & Sales:** Although the investment in this activity is not extremely high, the firm recognizes its importance, and, in the last years, it has been investing in the promotion of what it considers its focus product, seedless grapes. The firm has given increased attention to the marketing activity not only in business to customer (B2C) but also in business-to-business relations (B2B). In terms of business to customer, the firm has been present in some events to generate awareness of seedless grapes near the final consumer and has created a new package for it, which was designed to be distinguishable from all the others in the market. In terms of business-to-business relations, the promotion near distributors was outsourced to a sales force, CellPlus. It is important to take into consideration that nowadays a synergy between the quality of the product and an effective marketing strategy is very important. This is due to the fact that consumers are increasingly demanding, value the packaging, assess the brand image, and question quality, as well as, price (Santos, Falcato and Mira, 2010). This is especially important for Vale da Rosa, given that it wants to establish itself as a brand

in a commodity market, being the marketing activity a value generator, as it increases people's willingness to pay for the product. Further, the increase in awareness concerning seedless grapes may generate more purchases, which is especially relevant due to superior price of this type of grapes.

**Distribution:** Before being distributed to the domestic market or exported, the grapes have to be placed in cold storage fridges after the harvest. These fridges are especially important for products destined to export given that these products need a stronger and rigorous cold treatment in order to maintain their quality for a longer period of time. This refrigeration process, essential to assure the maintenance of the quality of the grapes to export, was improved last year, with the construction of new refrigerated warehouses. These improvements also generate value for the firm, as they allow more exports to farer markets with the maintenance of the quality of the products.

After suffering the cold shock, products are distributed to national supermarkets and wholesale markets in refrigerated trucks in order to assure perfect delivery conditions.

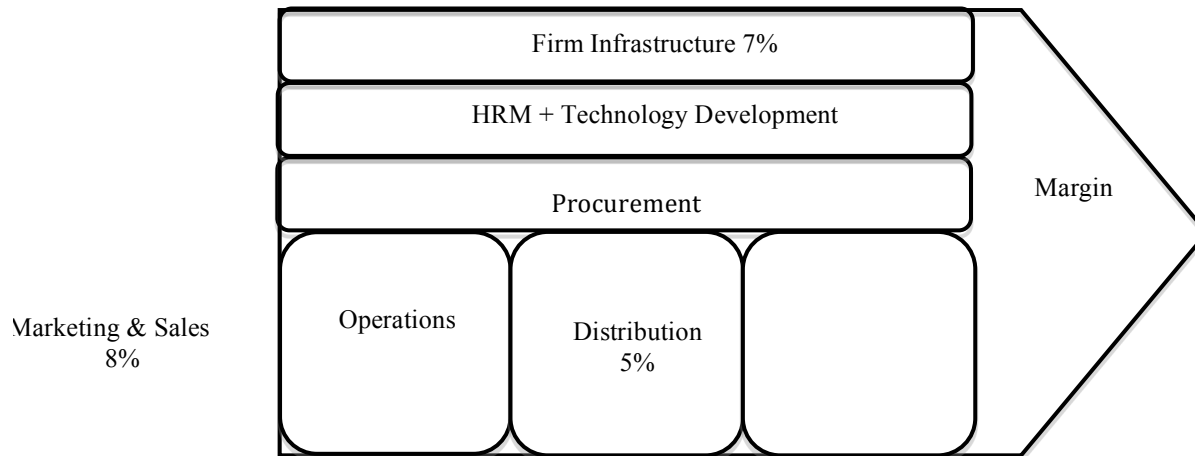
### **Secondary activities**

**Procurement:** The grafts of seedless grapes are acquired from two international partners, Sun World and SNFL. The acquisition of different varieties is important as they adapt differently to the soil and climate and have different harvest periods. These partnerships create value for the firm, as they allow the firm to lower costs and risks, but also to produce a product to which consumers are willing to pay more.

**Human resources management + Technology Development:** Considering that the firm's production process demands high levels of human capital, human resources are considered strategically important for the firm. Hence, the firm has been investing in technical and motivational training, with courses about team leadership and team management. To do this, the firm hired a consulting company specialized in the area, Formula do Talento. Even though, this activity represents a significant percentage of total costs, it generates value to the firm as, this factor of production (human capital) is of extreme relevance to the achievement of the quality desired for the firm's products.

**Firm Infrastructure:** Legal, financial and accounting services represent a small percentage of the firm revenues and are performed in-house.

**Figure 1: Vale da Rosa's Value Chain**



Source: Primary Data – the values represent the cost in % of the revenues

According to information given by the firm, Operations/Production + HRM + Technology Development + Procurement represent 59 % of the revenues. Distribution represents 5% in percentage of the revenues, while Marketing & Sales represent 8% and firm infrastructure represents 7% in percentage of the revenues. The meticulous production process and quality control systems, as well as, the partnerships to acquire new grafts make the production process of the firm more costly when compared to the one of the competitors. This cost is increased by the extensive human capital needed in production and in consequence the investment made in the human resources' training and motivation. Nevertheless, the firm has been investing in creating a brand in a commodity market and in generating a product of superior quality in terms of taste and aspect, which increases consumers' willingness to pay. Hence, this value chain generates a positive margin.

### 4.3 Industry Map

In order to understand the network of the company, it is important to understand its relationship with other entities, and companies not only at the national, but also at the international level.

**Suppliers:** Vale da Rosa has a great number of suppliers for the different inputs utilized in the production process.

As mentioned, the most relevant are the two American firms, SNFL and Sun World, the biggest international organization in the development of seedless grapes, which supply the grafts of seedless grapes. Vale da Rosa is 1 in 5 enterprises in Europe, who can produce the varieties developed by Sun World, conferring this partnership some exclusivity to Vale da Rosa. To test a variety, Vale da Rosa has to pay 25000 euros and then 5% of the revenues, as royalties.

A Portuguese company, Crimolara, supplies the chemical products and fertilizers needed for the production process. Another Portuguese company supplies the wooden poles and an Italian company supplies the plastics used in the firm's method of production. Further, a Portuguese, a Spanish and an Italian company supply the packages and plastic bags to package the grapes and the labels.

**Distribution in Portugal:** The firm distributes the product to large retailers, as Continente, Pingo Doce, Lidl, Grupo Auchan, Intermarché, El Corte Inglés and Mini-Preço, and wholesale markets throughout the country. These big retailers then sell to the final consumer and wholesale markets supply restaurants and smaller stores.

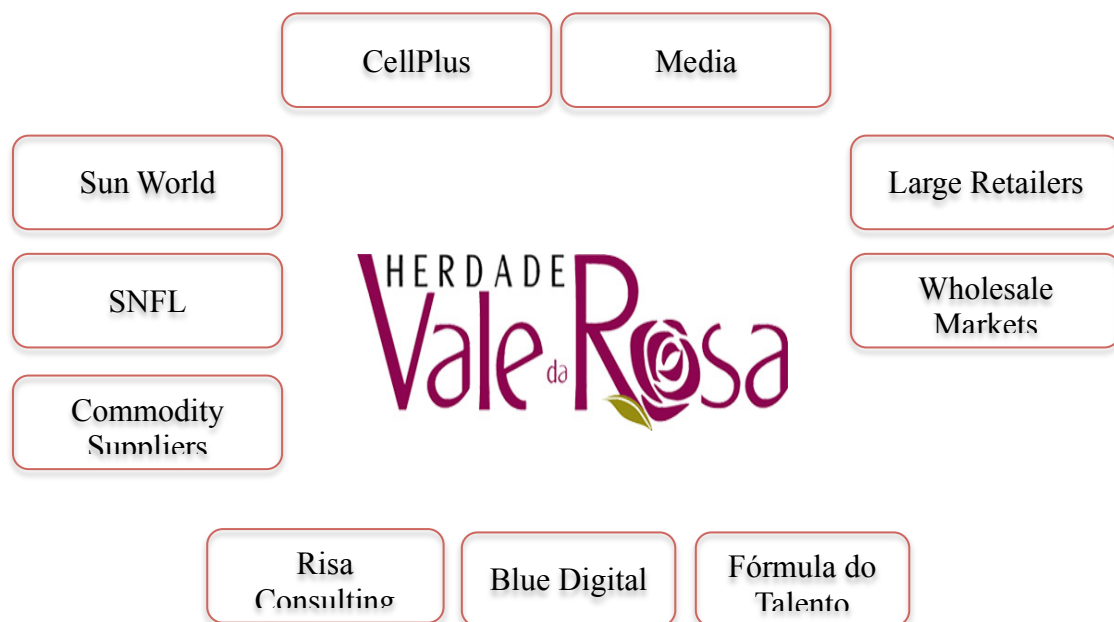
**Technical support:** Vale da Rosa resident technicians receive training and counseling by Italian, Israelite, Spanish and Chilean technicians to assure the best quality control process. For this, the company has created the Academia de Formação Vale da Rosa.

**Marketing/Promotion:** Media is another stakeholder, given that the company is present in various conferences (for example the 3<sup>rd</sup> conference promoted by Marketeer) and gives many interviews to various magazines and newspapers. Media is important given that communication affects the image consumers have of the firm. Moreover, Vale da Rosa's products are promoted in world fairs as the Fruit Attraction in Madrid (2011), the Fruit Logistica in Berlin (2012) and more recently in the DopDubai (2013). Further, as mentioned, the company hired CellPlus, a sales force, in order to promote the product in the distribution channels of the firm in Portugal (large retailers and wholesale markets). Moreover, the company has also a Facebook page, managed by a firm specialized in the management of Social Media pages, Blue

Digital. In Vale da Rosa's Facebook page are promoted, not only the products, but also visits to the vineyards of the firm. With this, the firm intends to attract the attention of Portuguese people but also foreigners. Vale da Rosa has been promoting visits to the firm near schools, as children are great appreciators of seedless grapes and strong influencers in parents' purchases. Further, the firm has been establishing contacts to be part of a tourist route. This is especially important given that one of the opportunities identified in an enquiry to diverse associations of a variety of producers in Portugal, as AJA (Associação de Jovens Agricultores), CAP (Confederação de Agricultores de Portugal), COTHN (Centro Operativo e Tecnológico Hortifrutícola Português) and Portugal Foods, is the link of Portuguese agro-alimentary products to ecologic tourism (Gabinete de Planeamento de Políticas, 2012).

Within promotion, it is also important to refer, the role of the Portuguese association Portugal Fresh, to which Vale da Rosa belongs. Portugal Fresh is an association created by diverse producers and with the support of the Government, which intends to foster the concerted promotion of Portuguese agricultural products overseas and provide access to shared information mechanisms (Gabinete de Planeamento e Políticas, 2012). Hence, its members profit from a structured valorization strategy of their products. Therefore, this association aims to give the country a strong and appealing image in the agro-alimentary sector (Portugal Fresh, 2010).

**Figure 2: Vale da Rosa's Industry Map**



#### 4.4 VRIO Model

The resources of the firm, as well as, their role should be analyzed, as they are the basis for the firm's strategy, namely when the changes in the external environment are constant and unpredictable. The analysis of the firm's resources is performed through the VRIO Model.

**Valuable Resources:** Analyzing the resources of the firm, it can be concluded that the firm has modern facilities and a favorable location. The land is located in Alentejo, in Alqueva region, in which the soil and climate assure extended, and earlier harvest periods and unique products in terms of texture, quality and taste. Further, the region has an exceptional irrigation infrastructure. Due to this, the region has been attracting many foreign investors as for example the MacFarlan Smith firm that invested 25 million euros in the region to produce poppies for medical purposes (Portugal News – AICEP Portugal Global, 03/06/2013). This means the location of the property of Vale da Rosa is highly valuable.

In terms of technological resources, Vale da Rosa's partnerships with Sun World and SNFL, as well as, with countries with tradition of production of table grapes are also important for the competitive advantage of the company and therefore highly valuable. The reputation the firm has with customers for quality and with distributors is also valuable, as it allows Vale da Rosa to charge a premium price for its products in Portugal. This premium price is also supported by the firm's capacity to export a relatively high percentage of its production, which in turn is influenced by the reputation of quality of the company. The reputation of the firm and its brand name, have even lead to a partnership with a well-known ice-cream maker, Santini, leading to the launch of two new ice cream flavors with Vale da Rosa name on it, black and white grape flavors, and a partnership with McDonalds, being Vale da Rosa's grapes included in children's menus. The firm's accumulated experience and knowledge are, as well, valuable resources.

**Rare resources:** The partnerships abovementioned are not easily obtained.

**Inimitable Resources:** These partnerships are costly to imitate and not easily replicated.

**Organizational Resources:** Due to the longevity of the firm in the market, it has been able to accumulate knowledge in terms of production and quality procedures, but also regarding exports due to its experience with highly demanding markets, as the British



market. Concerning architecture of relations, the firm has been able to leverage its network of relations, to generate knowledge about the domestic and external markets to the firm. Further, the network of the firm, previously analyzed, has been assuring to the firm a constant improvement of its production and marketing activities, and a closer contact with its customers. Therefore, the firm has been able to organize the intangible and tangible resources in order to attain the desired outcome, producing a high quality product and establishing a reputed brand in a commodity market.

## **5. External Environment**

It is relevant to understand the context in which the firm is inserted in, being therefore relevant to have a general overview of the domestic market and of the Portuguese table grapes' market, but also to analyze the world table grapes' market.

### **5.1 Analysis of the Portuguese Market**

#### **PESTEL Analysis of the Portuguese Market**

The analysis of the domestic market, performed through a PESTEL analysis, is relevant to understand some reasons that led the company to increase expansion overseas and its desire to increase it even more.

In what concerns **political factors**, it can be mentioned that there is some political instability due to the IMF reform adjustment program and austerity measures currently in place. However, the government has been promoting innovation and internationalization of SMEs through the COMPETE Program, to which firms can apply and receive incentives to these purposes. Vale da Rosa has received these incentives this year (QREN, 2013).

In terms of **economic factors**, it can be mentioned the decrease in purchasing power of consumers and a contraction of the internal demand and economic activity (an estimated contraction of 2.3%) (Banco de Portugal, 2013). The level of unemployment has reached very high levels (in the third trimester of this year it was 15,6%) (Instituto Nacional de Estatística, 07/11/2013) and tax rates are also extremely high (for companies and individuals). Nevertheless, VAT in fruit is only 6%. However, due to the factors abovementioned, there is a downward pressure on prices

from retailers, leading to a reduction of producers margins, which lead firms to search for new markets, to which they can sell their products at higher prices.

Concerning the **social factors**, consumers are increasingly concerned in pursuing a healthy lifestyle and diet, with increasing information about obesity and other diseases related with an imbalance diet.

Regarding **technological factors**, it can be mentioned that increased access to Internet makes consumers more informed about the production of the products they consume, as well as, benefits and harms.

In what regards **environmental factors**, people are becoming increasingly concerned about the environmental impact of companies. Vale da Rosa has a certification of its production process that, besides the quality of the production process, assures its respect towards the environment.

In what relates to **legal factors**, food needs to respect some standards of quality imposed by the European Union to all Member States and regulations concerning the use of fertilizers (Decree-Law number 173/2005) (Diário da República, 2009).

### Portuguese Table Grape Market

Before detailing the internationalization to Angola, it is important to mention the position of the country in international markets. Considering the data collected from Eurostat and Instituto Nacional Estatística, summarized in table 1, it is observable that the ratio exports/ production has been increasing through the years presented, except from 2011 to 2012 in which it suffered a decrease. This is important, as it demonstrates the country is orienting itself to external markets and this orientation is important to companies in the market.

**Table 1: Total production of table grapes in Portugal**

Year	Production (in tons)	Exports (in tons)	Export Orientation (%)	Imports (in tons)	Apparent Consumption (in tons)
2008	41 434	1956	4,72	31 463	70 941
2009	33 373	4739	14,2	33 871	62 505
2010	19 124	2836	14,8	27 435	43 723
2011	15 989	6536	40,9	30 743	40 196
2012	17 913	4771	26,6	27 525	40 667

Source: Elaborated based on Instituto Nacional de Estatística – Estatísticas agrícolas (2009; 2010; 2011 and 2012)

Note: Export Orientation= Exports/Production\* 100

Apparent Consumption = Production + Imports – Exports

**Tables 2 and 3: Main destinations of Portuguese table grapes exports (in tons)**

Country	2010
Spain	2065
United Kingdom	189
Cape Verde	154
Angola	112

Country	2011
Poland	2877
Spain	2536
United Kingdom	281
Angola	237

Source: Adapted from Gabinete de Planeamento e Políticas (2012)

Analyzing tables 2 and 3, it is verifiable that the main destinations of the Portuguese exports in 2010 were Spain, United Kingdom, Cape Verde and Angola, and in 2011 were Poland, Spain, the United Kingdom and Angola. Considering the three countries that are common for both tables, it is possible to see an increase in the exports to all of them. Angola is one of those countries, which may suggest that Portuguese table grapes are well received in the country. Nevertheless, the level of exports to Angola is still low.

## 6. Table Grape Market in the World

The world international trade of grapes and of fruits in general has been growing. The production of table grapes has been growing at an annual rate of 13% and worldwide exports of table grapes at about 26% per year (FAO, 2012; OIV, 2012, cited in Lazzarotto and Fioravanço, 2013a). Through the analysis of table 4, it is possible to verify that, the main producers of table grapes till 2009 were China, India and Turkey. Among European countries the most relevant producers are Spain and Italy.

**Table 4: Main producers of table grapes - Total production of table grapes by country**

Country	2001/2005 (values in thousands of tons)	2006/2009 (values in thousands of tons)	Variation (in %)
China	3241	3338	3%
Turkey	1495	1568	5%
Italy	1316	1049	-20%
India	1163	1581	36%
Egypt	1082	1324	22%
EUA	740	788	6%
Chile	712	871	22%
Brazil	638	704	10%
Spain	316	416	32%
South Africa	256	332	30%
World	17103	20113	17,5%

Source: Elaborated based on Lazzarotto and Fioravanço, 2013b, page 72

### Exports World Market

Analyzing table 5, it is possible to infer that in the two periods analyzed, the worldwide exports of table grapes grew by 25,4%. Chile is the biggest exporter with more than 90% of the production being exported. South Africa and Mexico are two other major exporters. Therefore these countries can be considered major players in the table grapes' international market. This may also be an important indicator of the international competitiveness of these countries and that they possess comparative advantage on the production of this good. However, to Vale da Rosa, the main competitors are firms from countries producing in the same period, from May until November, as Italy, which exports 45% of its production and Spain, which exports almost 30% of what it produces.

**Table 5: Total exports of table grapes by country and export orientation**

Country	2001/2005 (values in thousands of tons)	2006/2009 (values in thousands of tons)	Export orientation 06/09 (%)	Growth rate between the two periods (%)
Chile	667	818	93,9	22,64
Italy	529	471	44,9	-10,96
EUA	384	390	49,5	1,56
South Africa	211	276	83,1	30,81
Turkey	114	174	11,1	52,63
Mexico	141	143	86,1	1,42
Spain	111	123	29,6	10,8
India	31	99	6,3	219,35
Greece	80	79	42,9	-1,25
Brazil	33	70	9,9	112
World	2 972	3 726	-	25,37

Source: Elaborated based on Lazzarotto and Fioravanço, 2013b, page 72

## 7. International Activities of Vale da Rosa

### 7.1 General Overview

Since the inception of the firm, its founder desires to export its products. The first market to which the firm exported was the British market, to which Vale da Rosa started exporting in 2004. This market has given credibility and distinctions to the firm and remains a very important one nowadays. Currently, the firm exports, besides to the British market, to Belgium, Germany, France, The Netherlands, Austria, Switzerland, Spain, Luxembourg, Poland, Angola and China (Vale da Rosa, 2010; Marketeer, 2011). The firm started firstly by exporting to European markets due to geographical proximity reasons and then later to markets more distant.

The international markets have been gaining importance in the business of the company, especially due to the Portuguese economic crisis. In 2010, Vale da Rosa exported 15% of total production, while in 2011, 25% of the production was destined to international markets (Marketeer, 2011), reaching the 35% of total production in 2012 (Jornal i online, 2012). In 2013, the percentage of grapes exported is expected to reach 50%.

To export to various international markets, various organizational changes had to be performed, as adaptation of the cold storage infrastructures, changes in packaging through the increase of the resistance of packages and even modification of its color to the Chinese market. The firm increased its participation in international fairs and events to promote the firm's products.

The prices for the different markets are established based on the transport, freight and insurance cost. Hence, the firm has a base price, to which it adds a mark-up that is dependent on the factors previously mentioned.

## **8. Vale da Rosa's Motives to Internationalize**

It were already presented some justifications for the expansion of the Vale da Rosa overseas. However, the reasons behind the internationalization process of the firm are analyzed more in detail below.

### **8.1 Proactive or Reactive?**

Vale da Rosa's decision to internationalize was based on both proactive and reactive motives (Leonidou, 2004). Therefore, the internationalization process of the firm may be justified by the firm's willingness to explore firm-specific resources and opportunities existent in markets overseas, but also by threats present in the domestic market (See Annex 4).

#### **Proactive Reasons**

Vale da Rosa faced the expansion into new markets as an opportunity to enhance profits. This reason has led the company to search for markets that have been presenting significant economic growth rates, as China and Angola. Further, the international experience of the founder, Dr. António Silvestre, as well as, his entrepreneurial spirit and wish to expand the business and make known the name Vale da Rosa, have triggered the continuous eagerness of the firm to search for new markets. Additionally, internationalization to the Polish market was also stimulated by the internationalization to that market of a Portuguese distributor, Jerónimo Martins Distribuição, which distributes the firm's products in Portugal. Further,

internationalization to the Chinese market was also triggered by a relation with a partner in Holland to which the firm already exported. Hence, in the identification of these foreign market opportunities, business networks were of extreme importance.

### **Reactive Reasons**

Moreover, the decreasing purchasing power of customers in the domestic market and consequent pressure over margins of retailers and producers, previously mentioned, has also led the firm to look for opportunities in markets with more favorable economic situations. Not only those markets are more willing to pay higher prices for the firm's products but also, according to a consultant in the agricultural area, Jose Martino, exports lead distributors to have less capacity to shrink producers margins in the domestic market (Sábado, Setembro 2013). Hence, exporting constitutes a way to enhance profit margins (Hollensen, 2008; Czinkota, 2004).

## **9. Models of Internationalization applied to Vale da Rosa**

After having an overview of the international activities of the firm it is possible to analyze the expansion process of the firm according to existent international models (See Annex 5 for more details on internationalization models).

The internationalization process of Vale da Rosa may be seen as a sequential process, in which first, as mentioned, the firm expanded to markets closer in terms of geographic distance, the European markets, to which it was easier to deliver the products. Only later, the firm started to export to markets not only geographically distant but also psychically distant, such as China, and which meant significant organizational changes. The internationalization of the firm evolved throughout the years, with an increasing commitment from the firm and rising of the percentage of production exported. There has also been an increased commitment in terms of the resources invested in the internationalization process, as the company has been investing in its facilities, as previously mentioned, in order to improve the conditions to stock the products directed to export. In this sense, the case of Vale da Rosa can be interpreted at the light of the stage approach and so the Uppsala model. According to this model, the internationalization process is a result of a variety of incremental decisions, which are based on an increasing commitment in terms of acquisition of

knowledge, information and market experience – which was what occurred in the case of Vale da Rosa.

Further, the internationalization process of the firm may also be interpreted according to the network-based approach. The network-based approach suits the case, since it can be inferred that Vale da Rosa's capabilities are developed in the web of stakeholders in which the company is involved. The collaboration with American companies to have access to new varieties of seedless grapes, and the relationship with some distribution companies, are essential to the competitive advantage of the firm. As mentioned before, the network of the firm triggered internationalization to some markets. In this sense, it is important to state that the level of internationalization of the network of the company was relevant to the internationalization of the firm. Hence, the network of the company allowed it to identify foreign market opportunities. The relation of the company with foreign technicians, which give advice to the firm's employees, is also important as it helps the company to gain information about what is done in the most advanced markets in the industry and gain insights about competitors, as well as, hints regarding new markets to expand activities. The fact that the company belongs to an association Portugal Fresh, to which producers of other fruits belong, may also provide valuable exchanges of information about foreign markets. So, the network of the company is highly relevant for the company to enhance its international competitiveness.

Moreover, the case in study can also be interpreted in light of the international entrepreneurship approach, given that the role of the entrepreneur is of great importance, as stated. In Vale da Rosa's situation, the international experience of the entrepreneur, namely the one in the Brazilian market, and the knowledge possessed are an important source of competitive advantage. Since the establishment of Vale da Rosa in 2000, António Silvestre Ferreira retook the contacts with foreign partners, orienting the business to expand overseas.

Therefore, the most suitable framework for analyzing the case of Vale da Rosa internationalization process comprises a combination of the three theoretical approaches to internationalization, the stage approach, the network and the international entrepreneurship approach.



## **10. Analysis of the Angolan Market**

After an analysis of the firm's activities and network, an analysis of the Portuguese market and the Portuguese table grapes' market, as well as, a general overview of the firm's international activities, it is now important to analyze the Angolan market in detail and the firm's presence in Angola, in order to assess how the firm can increase its market penetration.

### **10.1 General Overview**

An analysis of the Angolan market was performed in order to understand the business environment the company is facing.

Angola is a country with high economic growth, presenting one of the fastest GDP annual growth rate in the last decade, 11,6% (Jover, Pinto and Marchand, 2012). According to the World Bank, real GDP growth will be 7.2% in 2013 and 7.5% in 2014. The increase in wealth in the population has been enhancing consumer spending (The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012). Inflation rate is expected to be 9% in 2013 and 8.5% in 2014 (Economist Intelligence Unit website, consulted in 09/08/2013). The estimative of 2012 of the Economist Intelligence Unit, assessed that the population of the country was 20,2 million, and that it is growing at a rate of 2,7% a year. Some estimations point that 4,5 million live in the capital Luanda, while others point to 6 million (Aicep Portugal, 2013).

The astonishing economic growth of the country is founded on the oil and gas sector. The country is also highly dependent on several minerals, with which it is abundantly endowed, as gold and diamonds, being the diamond industry very important for the country and the second most important in export terms (Aicep Portugal Global, 2013). The economic growth based on these two sectors has been fostering the development of other sectors in the economy, as financial services, industry and construction. The telecommunications sector has also been presenting great developments. Although there have been significant improvements in the infrastructures, the infrastructural system of the country is still underdeveloped. Electricity supply is also considered a problem in the country, which allied to the infrastructural problem and deficit to qualified human capital, generates high costs of production to the local companies,

affecting their competitiveness, being most of the times less expensive to import (Jover, Pinto and Marchand, 2012). In order to reduce the dependence of the oil sector, the government is launching programs to promote the development of infrastructures, agriculture, livestock and fisheries (Aicep Portugal Global, 2013). Investments are being performed, not only in the capital of the country but also in other main cities as Benguela, Huambo and Malange (Exame, September 2013).

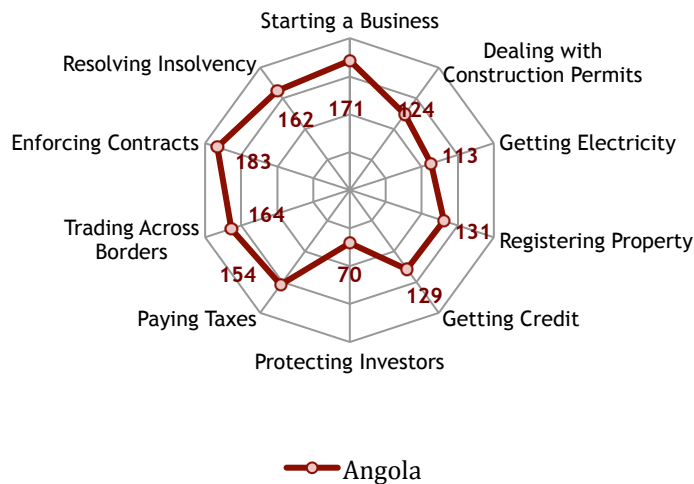
The agricultural system is still very underdeveloped, being the country a great importer of food (Jover, Pinto and Marchand, 2012), which constitutes an opportunity for Vale da Rosa.

## **10.2 Business environment in Angola**

Companies face huge bureaucratic barriers to operate in the market, being therefore very important for foreign companies interested in operating in the market to find a local partner. The judicial system is considered slow and inefficient. Other main restriction in business development regards the financial sector. Although this sector has presented developments in the last years, access to financial resources from companies is still limited and complex. Although the country imports a great number of goods, importing is still complex, being necessary a high number of procedures (Jover, Pinto and Marchand, 2012).

The same findings emerge when resorting to the Doing Business Indicators 2013, evident in Figure 5 (The International Bank for Reconstruction and Development, 2013). As it is possible to see, Angola is not very well positioned in the various indicators, demonstrating the existence of various bottlenecks in the Angolan business environment.

**Figure 5: Graph of the Doing Business 2013 indicators - Angola**



Source: The International Bank for Reconstruction and Development (2013), "Economy Profile: Angola", Doing Business 2013: Smarter Regulations for Small and Medium-Sized Enterprises

Even though Angola has a challenging business environment, it is important to consider that it has a great number of opportunities fostered by the high economic growth of the economy (Jover, Pinto and Marchand, 2012).

### 10.3 International Trade and Angola-Portugal commercial relations

Angola imports a great variety of goods, being the exports reduced to the oil and diamond sector. Among the most imported goods are machinery and equipments, metals and food. The most important importing partners are Portugal, which occupies the first place, Benelux, China and the United States (Jover, Pinto and Marchand, 2012).

Portugal exports a great variety of goods to Angola, being the most important summarized in table 6. Among these products are alimentary products and beverages, which are very well received by Angolan consumers due to historical and cultural links between the two countries. This constitutes an important opportunity for Vale da Rosa.

**Table 6: Main Portuguese exports to Angola from January to May 2013**

Goods	Exports (in millions of euros)	Homologous variation (%)
Machinery	303,445	13%
Alimentary products and beverages	198,041	28%
Metals	137,788	-14%
Products for chemical industries or related	840,485	4%

Source: Adapted from Bureau Veritas, Conference “Novo Regime de Inspeção Pré-Embarque para Angola”, 25<sup>th</sup> of July of 2013

Portugal is Angola’s most important commercial partner. Portuguese companies are highly present in Angola, namely in the construction and banking sector. Angola is also an important investor in Portugal, participating in sectors as telecommunications, energy and banking (Jover, Pinto and Marchand, 2012).

Before past July, an extensive list of products, among which table grapes were included, had to have a pre-shipment inspection performed either by Cotecna, Bivac or SGS (inspection companies), and which cost up to 200€. From July onwards, all the products can be shipped without an inspection, as the inspection was declared as optional by the presidential decree number 275/10. Still, Bromangol (Angolan company that performs laboratory tests to alimentary products) may subject alimentary products, which are the case of table grapes, to a laboratorial inspection at the arrival of Angola (Conference “Novo Regime de Inspeção Pré-Embarque para Angola”, 25<sup>th</sup> of July of 2013).

It is relevant to mention that investing in the country comprises a currency risk. The currency of the country is the Kwanza, although the dollar is also highly used. Presently, the exchange rate is 1 Euro= 1.35269 dollars and 1 Euro=130.899 AOA (Angolan Kwanza) (xe.com, 2013).

#### **10.4 Distribution/ Retailing in Angola**

In Angola the distribution channel is divided between the informal and the formal market. The informal sector has been losing importance and the formal market is

expanding, with the increase in the wealth of the population and with the government's effort to terminate with the informal market due to safety and taxation motives (The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012).

Therefore, the retailing sector is another sector in expansion in the country, which has generated great attention from international retailing companies. The growth of this sector, is illustrated, by the opening of shopping malls, and the planning of a great number of new ones. The first shopping mall in big scale, Belas Shopping, opened in 2007. Others opened recently as, Ginga shopping, and some more are being planned, as Luanda Shopping, Luana Park, Viana Park, Shopping Fortaleza and Muxima Plaza (The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012).

In Angola there are two kinds of importers, the ones who also work as formal distributors, the large retailers, and catering companies.

**Large Retailers – Supermarkets:** In the first type are comprised supermarket chains, as Maxi, Kero, Shoprite, Nosso Super e Poupa Lá, Mega – Cash and Carry, Casa dos Frescos, Grupo Auchan (Jumbo) and Alimentar Angola Cash and Carry, as well as, the Portuguese Group Sonae, which is going to open till the end of the year its first Continente store (a table with more information about these distributors is presented in annex 6).

**Segmentation:** Almost all of supermarkets are focused on the middle and high segments, belonging the consumers of these supermarkets to the middle and high-class. There are two exceptions to this: Casa dos Frescos and Usave. Casa dos Frescos, places itself in the upper segment. Its consumers have high purchasing power, being mainly the Angolan elite and expatriates, and search for very high quality products. The Usave brand, which belongs to Shoprite, is placed in this middle-low segment. The middle-low segment is mainly supplied by the informal market and warehouses.

**Table 7: Segmentation of supermarkets in Angola**

Segment	Supermarkets
Upper segment	Casa dos Frescos

Middle-High	Jumbo, Maxi, Kero, Mega, Shoprite, Alimenta Angola
Middle -Low	Usave

Source: Elaborated based on The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012

**Catering companies:** The second group comprises catering companies. These companies supply the oil & gas off shore and on shore operations, being the demand for food in this sector high given the number of people working in it in Angola, due to its strategic importance. Further, these companies supply also guesthouses, hotels and restaurants comprised within and outside the Oil & Gas sector. For the catering companies the service and the quality of the products supplied is very important and the price is a less relevant factor. This is especially important for these companies given that Oil & Gas firms have rigorous standards regarding food supply. This constitutes an attractive opportunity for premium quality products, making it an interesting prospect for Vale da Rosa. The major players are Novagest, Newrest, Sodexo, Express, Catermar Angola and ESS Angola (The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012).

Targeting these companies is especially important given the importance of the Oil & Gas sector in the country. The reserves of oil in the country are estimated in 13.5 billion of barrels and, are expected, to be revised upward in the future and there are a great number of foreign oil companies with activities in Angola, (Jover, Pinto and Marchand, 2012). The off shore oil sector in Angola is predicted to be composed by 20 to 25 oil rigs that usually have 100 to 400 people per rig, more than 200 tug boats and service vessels which contain 10 to 40 staff members and 8 FPSOs with approximately 200 people each. Furthermore, six major marine supply bases and fabrication yards have to be supplied: Kwanda Base and LNG plant Soyo, which are constituted by 3000 to 4000 people, Malongo base in Cabinda which is composed by 500 people, as well as, Port of Porto Amboim base, and Sonils base in Luanda along with Port of Lobito base, both composed by 300 people (The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012).

Moreover, as mentioned these companies also supply restaurants, hotels and guesthouses, which is important given that the hospitality sector in Angola is growing and the potential of the sector is enormous. International arrivals are estimated to grow on average 7.3% between 2011-2014. Although the majority of the tourism in Angola is still business tourism (employment and business equals 70%), the leisure one (which accounts for 30%) is expected to grow. The tourism is a priority sector in Angola, as the country has beautiful landscapes that are expected to lead to an expansion of the sector (Jover, Pinto and Marchand, 2012).

### **10.5 Vale da Rosa's activities in Angola**

**Exports to the Angolan Market:** Currently the company exports directly to Grupo Teixeira Duarte to Maxi Cash & Carry and indirectly to Luís Vicente Group (See Annex 7 for more detail on these two companies). The exports to the market represented 2,24% of total production in 2012, meaning 112 tons, which represents a low value. Further, Vale da Rosa only exports seeded grapes to the Angolan market.

**Prices in the Angolan Market:** Prices of table grapes in the Angolan market in general are very unstable and may vary immensely depending on the season. Further, prices of table grapes in Angola differ in the different retailers. The prices of seeded table grapes from Vale da Rosa in Luanda are around 6\$ /kg. Vale da Rosa's grapes were found in Maxi Cash & Carry, a retailer to which it exports (Annex 8).

Given that the company only exports seeded grapes, in order to assess the price of seedless grapes in that market it were searched for seedless grapes from a different origin. However, the origin of the seedless table grapes was not possible to determine, given that no indication of the country of origin was placed. The prices of seedless table grapes in the Angolan market may range from 10\$/kg (white seedless table grapes) to 14\$/kg (black seedless table grapes). The difference in prices may also be explained by the fact that black table grapes are more popular than white table grapes.

### **10.6 Barriers to internationalize in the Angolan Market**

In terms of barriers to internationalization (See Annex 9), Vale da Rosa faces both internal and external barriers. Internal barriers are related to organizational

competences and firm approach to export. External barriers refer to barriers concerning the home and host country environment (Leonidou, 2004).

In terms of internal barriers, the firm has limited information about the market and geographic distance makes it more costly to obtain. It is not easy to find market data about Angola. Further, the contact with Angolan customers is difficult. Moreover, it is possible to identify some complexity in recognizing the most suitable distribution channels in Angola for the company, especially due to reduced information about the market.

In terms of external factors, Vale da Rosa is always subjected to currency exchange risks, as previously mentioned. Some lack of knowledge about the firm and the quality of its products by consumers in the Angolan market may also be considered a barrier to the internationalization process. Further, as mentioned before Bromangol may subject the firm's products to a laboratory inspection when arriving the country, delaying its entrance in the market.

### **10.9 Porter's Five Forces of the table grape industry in Angola: Competitive Positioning of Vale da Rosa**

The Porter's Five Forces competition framework is valuable for analyzing the factors that might influence competition and profitability of an industry and so the attractiveness of that industry (Grant, 2010).

The threat of new entrants is low to moderate given that, as previously mentioned, export to Angola may be complex and non-Portuguese speaking countries find another barrier, which is the language. Further, engage in FDI also involves significant capital requirements, as well as, finding a local partner, which function as an entry barrier. Still, due to the economic growth of the country, major world exporters, as Chile, may decide to explore the market. However, Chile's harvesting season is not coincident with Portugal one, and so Chile and other southern hemisphere countries do not represent such a high threat. Possible entrants in the market are the two Portuguese companies, Dona Uva and Rodifrutas, which joined to commercialize table grapes and desire to enter in the market. Still, these companies have a smaller dimension than Vale da Rosa and less experience as are not yet exporting to any market.



The threat of substitutes is low to moderate given that other fruits may be considered imperfect substitutes.

The power of buyers is low given that the number of retailers in the market is high, being the market fragmented. Further, there is no significant production and no tradition of production of table grapes in Angola. Besides, although grapes production is being initiated, lacking however, to the Angolan firms know-how. Know-how in terms of production processes is especially important in the rainy season, given that if the production system does not assure its protection, vines will be destroyed and harvesting compromised. Moreover, the number of producers exporting to the market is low, being grapes mainly imported from South Africa and Portugal but also in smaller quantities from Chile and Spain (Angola Press, 01/05/13).

The power of suppliers of the main element in the production process, the grafts, is high, since there are only a few number of firms researching in the development of new varieties of grapes. Further, buyers have no real power of backward integrating these suppliers. Nonetheless, the power of suppliers of commodities used in the production process, as wooden poles, plastics and fertilizers, is low given that there are a great number of firms supplying these materials in the market.

Lastly, rivalry within the industry is low to moderate given that the number of players in the market is small, being the main competition in the market from South Africa. South Africa is a great producer of table grapes and a major competitor in the Angolan market. South Africa produces both seedless and seeded table grapes, from October to May (Department of Agriculture of South Africa, 2012). In the season 2011/2012, it produced an Amount of 250 232 tons of table grapes and exported 216 840 tons, meaning 87% of the total production, which makes the country a great exporter. Further, Angola is the major importing country in Africa of South African table grapes. Exports to Angola in the season 2011/2012 grew by 53% when compared with the season 2010/2011 and by 217 % when compared with the season 2009/2010 (South African Table Grape Industry - Statistical Booklet 2012). However, given the seasonality of the product, South Africa harvesting season is in a different period from the one of Portugal, making the competition less relevant. Therefore, competition is not so fierce in the market.

## **11. SWOT and TOWS analysis**

The performance of a SWOT and TOWS analysis are important in order to understand which strengths can the company leverage and which weaknesses need the company to surpass in order to capitalize on the opportunities and address threats that might exist in the environment. These analyses will allow for a simultaneous examination of the external and internal environment. The implementation plan will be based on these two analyses.

Performing a SWOT to the company it can be identified the following **Strengths**:

- System of partnerships that assures a flow of new varieties of grapes and so a continuous development of high-quality products
- Developed technique of production (Pergola System) that allows for swift and extended production
- Recognition by prestigious retailers in terms of quality and organization
- Certification of the products in terms of quality and packaging process
- Investment in extension of the production capacity and good facilities
- High brand awareness in some markets
- Network of the company

Concerning **Opportunities** the subsequent ones were identified:

- Exploration of some emerging markets that have more demanding consumers
- Trend of pursuing a healthy lifestyle
- Increased concern from consumers regarding quality and production processes
- Trend at the worldwide level to consume seedless grapes
- Internationalization of retailing
- No significant Angolan production
- Harvesting season is not coincident with the main exporter to Angola, South Africa
- Angolan consumers are very familiar with Portuguese products

As **Weaknesses** it were identified the ensuing ones:

- High cost structure
- Seasonal product

Regarding **Threats** it is possible to mention:

- Some competition from countries which have tradition of production of table grapes
- Portuguese economic crisis which decreased consumers' purchasing power
- Slow economic growth in various European countries
- Some lack of knowledge in certain markets about the production of seedless grapes

Performing a TOWS analysis, are identified the following **S-O strategies**:

- Use of existing relations with some distributors to expand to other markets
- Enhance marketing campaigns to generate higher brand awareness and knowledge of the quality certifications, namely in foreign markets
- Increase expansion in markets with no tradition of production of table grapes

Concerning the **W-O strategies**:

- Create awareness near consumers about the quality of the product and of its production process
- Expand to markets in which the harvest is in counter-cycle

Regarding **S-T strategies**:

- Use the certifications to position the product as distinctive and of high-quality

In terms of **W-T strategies**:

- Increase relations with partners in countries with economic growth
- Increase brand awareness and brand image

## **12. Modes of Entry**

The selection of the mode of entry is an important decision for the company when expanding overseas because it determines the costs the firm will incur and so the resources committed to the international activities, as well as, the control of the firm over its foreign activities. The chosen mode of entry must reflect a weighing of internal factors, as resources of the firm and managerial attitudes, and external factors, as country features and market barriers (McDougall et al., 2003).

Foreign market entry modes can be divided into: export, contractual and investment modes. Within the export modes are comprised, the indirect and direct exports, both through distributors or sales subsidiaries. The most important contractual modes are licensing and franchising. The most important investment modes are joint ventures and wholly owned subsidiaries (Root, 1994).

Therefore, the foreign market entry mode comprises strategic decisions, which refer to the placement of the value chain activities, either in the foreign market or not, their ownership, either it is full, partial or, no ownership and the level of resources employed in the internationalization process.

Given Vale da Rosa's and host country characteristics and balancing the level of risk involved and opportunities existent, there are two entry modes the firm may choose to increase market penetration: exporting and a joint-venture.

Therefore considering the SWOT and TOWS analyses and the strategic objectives of the firm, it may increase market penetration through an increase in the level of exporting or through an engagement in a partnership with an Angolan company. The joint venture may be seen as complementary to exports, due to the seasonality of the product. In Angola the harvest period is different from the one in Portugal. While in Portugal, the harvest period goes from May to November, in Angola, the harvest period would be from November until May. In this sense, Vale da Rosa could increase market penetration through two complementary ways, being able to create a much stronger presence in the market.

These entry modes will be studied through the 4M and 4P Models.

## 12.1 Direct Exporting

In this case, firms define a foreign market sales channel through a distributor or a sales subsidiary (Root, 1994). Given that the firm has export experience, the risk of this entry mode is reduced. Nevertheless, given the distance, transportation costs are significant.

### Implementation Plan

#### 12.1.1 Memo

	Objectives	Measurement	Target	Initiative
<b>Financial</b>	Expand sales Increase number of customers	Profitability Turnover Number of customers	Sell at least between 4 to 5% of total production in two to three years	Promotion through participation in international fairs Partnership with gourmet supermarkets and catering companies
<b>Customer</b>	Increase customer satisfaction Create awareness and brand loyalty	Perform customer surveys and observe repeated purchases (market research)	80% awareness and 60% repeated purchases	Use social networks Launch advertising campaigns Regular update website with information relevant for B2C and also B2B relations Perform tastings in gourmet supermarkets Perform satisfaction surveys
<b>Internal</b>	Reinforce brand awareness Extend number of partnerships Increase number of employees	Coverage of media Number of employees		Recruitment and training program Promote the firm in various media channels (conferences, newspapers)
<b>Learning</b>	Gain a deeper understanding of the local market and contingencies	Consumer loyalty		Market research in partnership with distributors

### 12.1.2 Minutes

Considering that the company has never performed a visit to Angola, it should start by establishing contacts in the market, and prepare a business trip in the beginning of 2014, in order to contact potential distributors. This time schedule is very important so that the company can increase its exports and to be present in a higher number of distributors in the 3<sup>rd</sup> quarter of 2014. In the next two years an annual trip should be performed. These business trips are important to supervise the placement of the products and to perform degustation proofs, which are intended to create brand awareness and loyalty, and lead to an increase in purchases. These business trips could be performed in November. Exporting consists in the swiftest way of increasing market penetration.

Activity	Time schedule
Contact other large retailers (Continente and Casa dos Frescos)	Jan/ Feb 2014
Contact catering companies	Jan/ Feb2014
Improve website in order to be the most updated as possible, directing it to B2C but also B2B relations	
Establish a contract with Continente and Casa dos Frescos	Mar – April 2014
Meet with commercial personnel from catering companies in order to provide more detailed information about the company and its products	Mai-Jun
Establish a contract with at least one catering company	July 2014
Demonstrations in fairs	As often as possible
Degustation proofs in supermarkets	During trips to Angola

### **12.1.3 Men**

Vale da Rosa should utilize current personnel, namely the responsible for the marketing and external relations, to visit Angola and establish contacts, as well as, to visit distributors. The firm should use its lawyer, to make and analyze the contracts with new entities in the Angolan market. Besides, considering that the firm already has someone responsible for the international markets, more specifically for the management of the Angolan sales, that person should remain responsible for this task. Therefore, the firm already has the internal resources needed to engage in further exporting.

### **12.1.4 Money**

In the exporting mode of entry, it is important to consider additional costs, Vale da Rosa needs to incur and which increase cost of goods sold. The additional costs are: freight, transportation, ARC, Baf, congestion, THC, a tax to the seaport (taxa de porto), ISPS, Selo + Port Security, BL and insurance. Insurance represents 0,5 of FOB (free on board price). The various costs depend on a number of factors and can suffer small changes in terms of price. An estimation of these costs is presented in annex 10. Based on information given by the firm, calculations of freight costs were made for 20ft containers. However, transportation companies will start utilizing 20ft containers less frequently than before, and so, they will start being replaced in a near future by 40ft containers. These 40ft containers are not much more expensive than 20ft containers (40ft containers cost around 4300€ while 20ft containers cost around 3430€) and transport the double of the merchandise than the ones of 20ft (Globalog, 2013). Hence, it can be advantageous for the firm to change to 40ft containers, specially with the increase in the quantity exported. Moreover, it is necessary to consider the cost of the trips, 2250€ for two round trip tickets (TAP, October, 2013) and accommodation, 1905€ for a week in a 4 star hotel in Luanda for two people (Booking.com, October, 2013).

The total revenues were estimated by summing the revenues of seeded grapes with the revenues of seedless grapes. The reason for separating the revenues of the two types of grapes arises from the different selling prices. Seedless grapes are sold at a higher

price than seedless grapes. The calculus of the quantity of the two types of grapes was estimated based on information given by the firm.

Forecasts were made considering, as much variables as, it was feasible and considering, different scenarios: pessimistic, expected and optimistic. These scenarios represent realities that are considered reasonable, and which can be relevant if a contingency plan is necessary in case the business does not go as well as expected. Under these different scenarios the quantities sold were changed, suffering the quantities a sequential increase from the pessimistic to the expected scenario and from the expected to the optimistic. These scenarios are based on the possibility of changes in sales due to some instability in Portugal-Angola relations, as well as, a review in the prospects of growth of the country (More detail on these calculations is presented in annex 10)

#### Profits Forecast – Pessimistic Scenario

	2014	2015	2016
<b>Total Revenues</b>	351000	499800	653400
<b>Total Costs</b>	310027,5	442876,5	581725,5
<b>Profits</b>	40972,5	56923,5	71674,5

#### Profits Forecast – Expected Scenario

	2014	2015	2016
<b>Total Revenues</b>	491400	642600	798600
<b>Total Costs</b>	432376,5	568225,5	710074,5
<b>Profits</b>	59023,5	74374,5	88525,5

#### Profits Forecast – Optimistic Scenario

	2014	2015	2016
<b>Total Revenues</b>	631800	785400	943800
<b>Total Costs</b>	554725,5	693574,5	838423,5
<b>Profits</b>	77074,5	91825,5	105376,5



## **12.2 Strategic Alliance – Joint venture**

A joint venture is a partnership established in order to obtain a competitive advantage through a combination of assets of two separate organizations, which leads to the emergence of synergies (Hauswald and Hege, 2002). A joint venture may be established to gain access to the distribution channels of a local company, as well as, market knowledge. Local companies may have, on the other side, access to technology, a brand name and product development of the foreign firm (Grant, 2010, pp. 385). This mode of entry could be appropriate to Vale da Rosa, as it could join its competences and resources with a company in the Angolan market. Vale da Rosa would join its knowledge about production and its brand name near important retailers, in different countries, and the local company would provide local market expertise and the land to produce.

This mode of entry is a much slower mode of entry than exporting. Further, it would be a riskier mode. However, once production was well established, the company could be present in the market the whole year, as in half of the year it could be selling products produced in Angola and in the other half it could be selling the products exported. The most difficult aspect in this mode of entry concerns the finding of a suitable partner. Potential partners will be studied in detail below.

### **12.2.1 Minutes**

As mentioned, given that the company has never visited the country, the company could take advantage of the first visits to the country to establish contact with companies in the agro-alimentary sector. However, from the second year onwards two members of the firm, mostly likely, the CEO and the responsible for the international markets, will need to perform two annual business trips to Angola. The first business trip could be performed with the dual intention of supervising the production process and supervise the placement of the products exported from the Portuguese market, as well as, the performance of the degustation proofs in supermarkets. Hence, one business trip could serve simultaneously two different objectives. The second business trip would serve only to supervise the production process and quality procedures in place in order to make sure they are in conformity with the highest standards of the firm.

### **12.2.2 Men**

Although Vale da Rosa could rely on some physical resources of the partner, some more human resources would be needed. Firstly, either the firm sends one of its resident technicians to give training to local employees in terms of method of production, or it would allocate one of its technicians permanently to the Angolan market. The suggestion is to place permanently a technician in the market in order to assure the correct support and training needed for the employees. Even if in the beginning a permanent technician is not in Angola, in the long run this will be necessary.

### **12.2.3 Money**

In the strategic alliance mode of entry, Vale da Rosa would have a 49% stake while the Angolan firm would have a 51% stake. The system of production would need to be established, and the system chosen, should be the one used by Vale da Rosa in Portugal (Pergola System), given that it protects the culture from environmental aggressions and plagues and allows for an extended harvest season. The company should first start by producing, jointly with an Angolan company in the agro-alimentary sector, 150 ha (around 3200tons from which 1000tons would be seedless grapes and 2200tons would be seeded grapes) and then progressively amplify the area of production, namely the production of seedless grapes. The cost of implementing this system in the area of production pre-determined would be around 1500000€ (all costs to place the system included). Hence, the company formed from the joint venture, would also have to pay to one of the international companies producing the grafts of seedless varieties, around 75000€ to test three varieties. It would be recommended to test black table grapes varieties, given that Angolans prefer these varieties.

In this mode of entry, the cost of salaries is composed by the salary of a technician, an expatriate, that would train and orient employees regarding the method of production (900€), the salary of a marketing director, the salary of a HR director and the salary of a commercial and a financial director (1300€ for each expatriate). Moreover, the salaries of the employees hired for the harvest period, would add to the total cost with

salaries. Considering that the minimum salary in the agricultural sector in Angola is 11 857 kwanzas, approximately 90€, and that for the area of production stipulated the firm would need at least 220 employees, salary expenses would be around 198000€ per month. Water supply would add to the costs of goods sold, being around 160000€ (Câmara do Comércio e Indústria Portugal Angola, 2013). It is important to mention that this is just an estimative and it might suffer changes due to weather conditions, as the soil may be drier or not, needing the plants more water or not. However, it is important to consider that the costs will differ across the three years period considered. In the first year, as previously mentioned it would exist the cost of implementing the system of production and the cost of acquiring the grafts of seedless varieties from the international institutions specialized in their development. Further, the salaries of the HR director, of the Marketing director, of the commercial and financial director, as well as, the salary of the resident technician and of the employees hired to place the grafts, would compose the salaries' costs in this year. Moreover, in this year there would also be the cost of water supply. Lastly, Vale da Rosa would still need to incur in costs with the business trips to Angola.

In the second year, the costs would decrease significantly, as the system of production is already established and it represents a significant percentage of the total costs and the grafts are also already acquired. The costs with the salaries of the marketing director, the HR director, the financial and commercial director and the technician would still exist, as well as, the cost of water supply. Further, there will be the cost of the salaries of some employees needed to do all selection processes needed before the harvest in order to produce high quality table grapes.

In the first two years as there would be no harvest, the company would have no revenues, but it wouldn't also have to pay royalties to the companies which supplied the grafts.

In the third year, in the harvest year, there would be revenues of about 27000000€ (considering a 49% stake). Considering the prices in the Angolan market, the firm could sell seedless grapes for about 2,5 dollars (around 2€) and seeded grapes for about 2 dollars (around 1,60€). Therefore, revenues are calculated by multiplying this price by the quantity sold of each type of grapes (as mentioned before 2200 tons of seeded grapes and 1000 tons of seedless grapes). In this year, the firm would still need to incur in the costs of the salaries of the marketing director, of the HR director and of the commercial and financial director, as well as, the ones of the resident technician.

Moreover, the cost with water supply and with the trips would continue to exist. Additionally, the cost with salaries would increase, as more employees will be needed during the harvest period (these employees are seasonal employees and therefore their salary is not paid the 12 months of the year but only six the maximum duration of the harvest period). In addition, the firm would also have to pay 5% of the revenues of seedless grapes in royalties. In the third year, the expected profits of the firm would be 2,491,023 euros. Discounting the costs the firm had in the first two years, the result would still be positive in 1,414,611 euros.

It is important to mention that in the third year, it should be performed an intensive marketing campaign in supermarkets to generate high awareness near consumers. It is suggested that this promotion begins in the second year, through something like, “Soon, you will have your favorite grapes all year”.

#### **Variable costs of Strategic Alliance Mode of Entry – 1<sup>st</sup> year**

Marketing Director	15600
Commercial and Financial Director	15600
HR Director	15600
Technician	10800
Employees' salary	118800
Water supply	160000
Pergola System	1500000
Acquisition of the varieties	75000
Royalties paid	0
<b>Total costs</b>	<b>1911400</b>
Vale da Rosa (49% stake)	936586
Trips + Accommodation	4155
<b>Total costs of Vale da Rosa</b>	<b>940741</b>

Source: Author's calculations

#### **Variable costs of Strategic Alliance Mode of Entry – 2<sup>nd</sup> year**

Marketing Director	18200
HR Director	18200
Commercial and Financial Director	18200
Technician	12600
Employees' salary	59400
Water supply	160000
Pergola System	0
Acquisition of the varieties	0
Royalties paid	0
<b>Total costs</b>	<b>268400</b>
Vale da Rosa (49% stake)	131516
Trips + Accommodation	4155
<b>Total costs for Vale da Rosa</b>	<b>135671</b>

Source: Author's calculations

### Variable costs of Strategic Alliance Mode of Entry – 3<sup>rd</sup> year

Marketing Director	18200
HR Director	18200
Commercial and Financial Director	18200
Technician	12600
Employees' salary	118800
Water supply	160000
Pergola System	0
Acquisition of the varieties	0
Royalties paid	100000
<b>Total costs</b>	<b>427800</b>
Vale da Rosa (49% stake)	209622
Trips + Accommodation	4155
<b>Total costs for Vale da Rosa</b>	<b>213777</b>

Source: Author's calculations

### Revenues of Strategic Alliance Mode of Entry

	2014	2015	2016
<b>Total Revenues</b>	0	0	5520000
<b>Vale da Rosa (49% stake)</b>	0	0	2704800

Source: Author's calculations

### Profits of Strategic Alliance Mode of Entry – 3<sup>rd</sup> year

	<b>2016</b>
<b>Revenues</b>	2704800
<b>Costs</b>	213777
<b>Profits</b>	2491023

Source: Author's calculations

## 12.2.4 Partners

To engage in this strategic alliance Vale da Rosa needs to choose a partner in the Angolan market. My suggestion is that Vale da Rosa chooses either Agro-lider firm or Nuviagro firm.

Agro-lider belongs to Lider Group, which is in the Angolan market since 1999. Hence, the group possesses a profound knowledge of the market, and its activities in various sectors, make its network very extensive. Agro-lider is specialized in the production of fruits and has shown willingness in diversifying its production, having demonstrated intention of starting to produce table grapes. Further, the firm possesses a land of 5000ha (Grupo Lider website, 2013). Thus, Vale da Rosa and Agro-lider

have complementary assets, being, therefore, valuable for Vale da Rosa to engage in a partnership with this firm.

Nuviagro belongs to Refriango Group. Refriango group is a well-known group in Angola due to its innovative and high quality products in various sectors, as for example the Blue beverage in the beverage sector. Nuviagro is the firm of the group, which is specialized in the production of fruit. Nuviagro has made a major investment in Kwanza-Sul province in a modern water supply system in order to assure an appropriate supply of water to its plantations. The firm has 250ha of land (Grupo Refriango website, 2013). Engaging in a strategic alliance with this firm would bring value to Vale da Rosa, as the values of the firm would be aligned in terms of innovation and quality and Nuviagro belongs to a solid group with the investment capacity needed to initiate the production and remain innovative, through the frequent investment in new varieties to test.

### **13.Implementation Plan - Marketing Guidelines 4P's**

Some recommendations concerning the marketing strategy Vale da Rosa should follow in the Angolan market are provided below. These recommendations are based on all the information previously collected about the market and the survey performed to people living in Angola about their patterns of consumption of table grapes and the brand Vale da Rosa (See Annex 11).

In terms of product, the firm should preferably sell black table grapes, as the Angolan consumer prefers them. Considering that the survey performed revealed that, a high percentage of consumers, is aware of the existence of seedless grapes, and considers them especially adequate for children and more sophisticated for parties, Vale da Rosa should attempt to sell seedless table grapes to this market. This is especially important given that seedless grapes' price is usually superior to the one of seeded grapes. Further, Vale da Rosa does not explore the potential in terms of market share for seedless grapes, given that South Africa has been able to increase its exports of seedless grapes to the market in the last years. Regarding the labeling of the product, as the language is the same, no adaptations are needed, allowing for cost savings for the firm.

Therefore, as already mentioned, in terms of price, the selling of seedless grapes is important to the firm because consumers recognize more value in this type of grapes and are willing to pay a superior price for them, as assessed in the survey performed. In the survey, the majority of the respondents said they would be willing to pay between 6 and 8 dollars for seeded grapes, while a great percentage of respondents affirmed to be willing to pay between 10-12 and 12-14 dollars for seedless grapes (25% said they would be willing to pay 10-12 dollars and more than 42% of the respondents said they would be willing to pay 12-14 dollars). This differential in price was also reflected on the prices encountered in the market from seedless grapes from other origins.

Promotion is also highly important to the firm given that a significant percentage of respondents said they didn't know Vale da Rosa brand (39% of the respondents said they did not know Vale da Rosa). Further, a suggestive percentage of respondents (47%) said that the brand is important in the purchasing of grapes and the firm should correctly explore this. Further, a significantly high percentage agreed or totally agreed that there wasn't enough available information about the company and its products. Additionally, Vale da Rosa should focus on degustation proofs in supermarkets given that they were considered important first contact points with seedless grapes, for a great percentage of respondents in the survey, meaning that a great percentage of the respondents became aware of the existence of seedless grapes when they saw it in a supermarket, deciding then to try them (more than 41% of the respondents mentioned the option "I just saw them in the supermarket and decide to try" when asked about how did they become aware of the seedless grapes). This presence in supermarkets may be important to create brand recognition and increase sales. The firm should also be present in events like the one it was present in Portugal, Vogue fashion night out, in order to generate brand awareness near high-end consumers and generate an image of sophistication. This is especially important given that the firm wants to clearly establish itself, as a brand in a commodity market. The website should also be updated regularly in order to be a way to connect with consumers but also other business partners.

In terms of placement, the products should be present in large retailers for visibility purposes. In order to increase the number of retailers in which it is present, the firm should start by leveraging its network and be present in Continente, and establish contacts with gourmet supermarkets, as Casa dos Frescos. However, Vale da Rosa's

products should also be distributed through catering companies, reaching hotels, guesthouses and restaurants, since the tourism sector is also expanding, and already has great importance in the country. Another reason for the firm to target catering companies, concerns the fact that they consider quality and certifications an important factor when purchasing, and this is a major strength of the firm.

#### **14. Conclusion**

Taking into consideration Angola's economic growth and development, as well as, its privileged relations with Portugal, and Angolan's preference for Portuguese products in deterrence of other countries products, it seems that Vale da Rosa has all the conditions to increase market penetration. To increase market penetration, the firm has two options that may be seen as complementary: exporting and engaging in a strategic alliance. The firm needs to invest more in creating deeper relations with its distributors and in establishing contacts with new ones. The revenues the firm may earn would compensate the costs the firm needs to engage in order to increase exports. Further, due to Vale da Rosa's brand reputation, the firm could easily find a partner in Angola. For cultural and language reasons, Portuguese would be the logical partners of the Angolan companies. Moreover, due to the current development stage of the country, presently would be the suitable moment to perform foreign direct investment, especially in one of the areas nominated priority for the Angolan government in terms of support for development, as it is the agricultural area. Vale da Rosa could partner with one of the Angolan firms previously mentioned, and which have experience and knowledge of the market. This moment is crucial for the expansion of the firm in the Angolan market, as other firms from other countries may be attracted by the development of the country.

It is important to mention that the strategy defined for the firm would allow it to take advantage of the profits of exporting, and simultaneously, of the benefits of engaging in a strategic alliance. Further, this would allow Vale da Rosa to contradict in a certain way the seasonality of its business and maintain a more stable level of revenues all the year.

Hence, this opportunity needs to be well and timely explored to allow the firm to gain dimension at the worldwide level and clearly establish itself as a brand in a commodity market, known for its high quality standards.



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## **Appendices**

### **Appendix 1 – Interviews (Firstly in Portuguese and then in English)**

#### **Interview with Dr. Ricardo Costa, Duration: Approximately 1h30**

##### **Na sua perspectiva o que distingue o Vale da Rosa dos concorrentes?**

Muito bem, eu vou-lhe dizer. A empresa Vale da Rosa comercializa uvas. Importa referir que o Vale da Rosa comercializa uvas Vale da Rosa. O que é que eu quero dizer com isto efectivamente? Nós criámos uma marca. Nós não queremos somente vender uvas, nós queremos vender Vale da Rosa. Isso é aquilo que na minha opinião nos distingue, nos diferencia. Para fazer Vale da Rosa temos um custo de produção mais elevado do que qualquer outro concorrente. É isso que nos diferencia, nós demos um nome a uma commodity. Recapitulando, nós criámos uma marca e aquilo que nos distingue efectivamente é a qualidade. A qualidade é um factor importante, porque de outra forma seria difícil competir com Espanhóis e Italianos. Os italianos têm grande tradição de produção de uva daí o nosso encarregado da vinha ser um italiano. A alta qualidade é o que nos distingue. E temos a sorte de estar numa região propícia à produção de produtos de alta qualidade. O clima, a água e o solo virgem imprime mais sabor aos alimentos, imprime na fruta características organolépticas fantásticas.

##### **Acha que esta qualidade chega aos consumidores?**

Nem sempre é fácil. Há uma máxima da filosofia que diz que ninguém pode desejar o que não conhece. Portanto o Vale da Rosa tem que ser conhecido e desejado. É para isso que lutamos, fazer um bom produto, torná-lo conhecido e desejado. Qual é o supermercado que não tem Coca-Cola? E nós o que queremos, com a nossa pequena dimensão, é chegar a esse patamar. E nós temos muitas contrariedades, diria até desafios que nos são impostos. Em primeiro lugar, a sazonalidade do produto nós só estamos no mercado 5 meses por ano. Este ano estaremos talvez um pouco mais porque, vou-lhe mostrar a seguir as instalações, construámos agora duas câmaras de frio que permitem conservar uva, no intuito de vender uva fora da época. O nosso modus operandi, no que diz respeito à produção já nos permite hoje estar mais cedo

que os nossos concorrentes porque nós produzimos sobre estufas. As estufas fazem a planta experimentar um clima diferente do que existe. Debaixo das estufas há um micro clima que promove a maturação da uva. Os plásticos também são importantes para prolongar a tempo de colheita. As variedades mais tardias e as que queremos levar até mais tarde cobrimos com plásticos no final de Agosto. Assim conseguimos que o nosso período de produção seja de 5 meses e meio quando o normal é pouco mais de 2 meses.

### **Quantas variedades tem o Vale da Rosa?**

Nós comercializamos neste momento, 12 variedades, 6 de uva com grainha e seis variedades sem grainha. Eu depois vou dar-lhe um catálogo em que poderá ver discriminados os diversos tipos de uvas. Nos temos 12 variedade em produção, nos nossos 230 hectares. Desses 230 hectares, 100 são de uva sem grainha e 130 de uva com grainha. Importa referir que temos várias variedades em testes para ver se essas variedades se adequam às nossas condições climáticas.

### **Em que canais de distribuição estão presentes as uvas Vale da Rosa?**

Eu diria que temos 3 grandes canais de distribuição. A exportação, o mercado externo representou em 2012, 35%. Ou seja, das nossas 5000 toneladas produzidas em 2012, 35% foram destinadas ao mercado externo. É também importante referir que nós queremos crescer este número. Em 2010, só tínhamos 10% de exportação. Temos aumentado também a nossa plantação mas as uvas só começam a produzir no terceiro ano e só começa a entrar em plena produção no quinto ano. Quero eu dizer com isto que num futuro próximo, com as variedades que já estão plantadas, em 2014/2015, produziremos um volume de 6000 toneladas, porque temos vinhas que ainda não estão em plena produção. Portanto, respondendo à sua pergunta, em 2010 tínhamos somente 10%, em 2011, centramos nos 25%, em 2012 nos 35% e este ano seria muito bom se chegássemos perto dos 50%. O outro canal é a grande distribuição ou a distribuição moderna e os mercados abastecedores, que fazem o mercado tradicional, o MARME em Lisboa, o MAC em Coimbra, o MAP, no Porto. O MARB em Braga, o MAFE em Faro e esses mercados fazem a distribuição tradicional, restaurantes, mercearias (canal horeca). Aquilo que fazemos e vamos fazer mais este ano porque

contratámos uma empresa, a CellPlus, que é uma força de vendas, é promover a empresa junto de mais pequenos pontos de venda. A CellPlus tem que ajudar os nossos distribuidores a incrementarem mais a venda. O nosso produto é um produto gourmet: queremos estar em restaurantes top, lojas gourmet, hotéis de 5 estrelas.

**Que campanhas de marketing é que a empresa tem para promover o produto junto do consumidor final? E junto dos distribuidores?**

A questão do marketing é uma questão importante por nós. Como eu lhe disse há pouco ninguém pode desejar um produto que não conhece. E se nós produzimos um produto diferenciado e mais caro que os dos concorrentes, queremos que ele seja conhecido. O nosso produto é mais caro porque o nosso método de produção é diferenciado. Seleccionamos cachos para que a qualidade das uvas que produzimos seja superior. Daí os melhores técnicos serem muito importantes, dado que eles sabem o método de selecção dos cachos. Este trabalho de selecção também implica uma maior mão de obra. Por isso, para nós o marketing é muito importante, daí termos uma consultora de marketing, a CellPlus, que é uma força de vendas que nos ajuda a fazer degustações nos mercados para dar a conhecer às pessoas os produtos da empresa, especialmente no que diz respeito à uva sem grainha. Apostamos também no material de merchandising, tentamos que seja elegante e apelativo. Poucas empresas de produção agrícola devem investir o que nos investimos em merchandising. Para produzirmos duas mil unidades destes panfletos, cada panfleto custa-nos mais de €1,60. A nossa caixa...Conhece a nossa caixa? Sabe que já fui a Itália com um designer ver caixas porque os Italianos são exemplares no design. Fui eu o Dr. Silvestre, e o designer, só ver caixas para que ele se inspirasse. Fomos também à Bélgica e a Paris ao mercado de Regis. Portanto investimos em tornar as nossas caixas apelativas. Mas uma clara estratégia de marketing ainda não temos, mas queremos fazê-lo. Todos os anos dizemos que o vamos fazer mas acabamos por não ter capacidade, em termos de pessoal, para o fazer. E também por isso, acabámos por contratar a CellPlus.

**E também têm a página do Facebook.**

Sim, é verdade contratámos um jovem que andava na universidade de Évora para fazer isso mas depois dele ir embora tornou-se mais difícil manter o Facebook activo. Há uma empresa que é a Blue Digital, que a única coisa que faz é gerir páginas de Facebook. E nós decidimos contratar esta empresa para manter a nossa página sempre actualizada.

**No Facebook existe a possibilidade de marcar visitas à Herdade. Tencionam fazer parte de algum roteiro de turismo?**

O Facebook também anuncia a possibilidade de recebermos visitas. Nós recebemos muitas visitas, de escolas, de universidades, etc. Quase todas as crianças do concelho visitaram a empresa. O que também é importante porque as crianças têm influência nos hábitos de consumo dos pais. E porque as crianças adoram as uvas sem grainha. Nós queremos que cada vez mais pessoas contactem com os nossos produtos, tal como aconteceu com o queijo da Serra da Estrela. Para nós é muito importante que venham cá visitas. Nós despoletamos isso. Ainda a semana passada estive com um dos donos de uma das maiores infra-estruturas hoteleiras em Beja e ele disse-me que tinha tido uma reunião com a ANA Aeroportos para pôr o aeroporto de Beja a funcionar cada vez mais e para criar pacotes para atrair estrangeiros para a região do Alentejo e do Algarve. E essas pessoas podem ir a Serpa ordenhar ovelhas, vir ao Vale da Rosa colher uvas. Olhe como no Brasil, o sistema do pesca e pague. As pessoas pescam e à porta arranjam-lhe o peixe e as pessoas pagam o que pescaram. Por isso, nós temos relações com instituições hoteleiras para que estes canalizem visitas para aqui.

**A empresa também tem projectos a nível de responsabilidade social?**

Nós também temos preocupações no que diz respeito à responsabilidade social. Sabemos que o politécnico de Beja tem tido alguns problemas porque alguns alunos face a esta terrível conjuntura que o país e as famílias em consequência vivem, chegam à altura e não têm capacidade de fazer face às despesas das propinas. Então, nós vamos fazer um protocolo com o Politécnico de Beja, em que alguns dos alunos virão trabalhar para a empresa e esta pagará as propinas. Assim, ganham os alunos, nós e a universidade.

**Que tipo parcerias tem a empresa, como a que tem com a Sun World?**

As uvas em grainha sempre existiram, só que tinham um tamanho pouco desejável. Portanto o segredo foi alargar o tamanho dos bagos. Organizações internacionais têm-se dedicado a aumentar o tamanho da uva sem grainha e a torná-la apetecível como uva de consumo. A Sun World é uma dessas organizações internacionais. É uma empresa californiana que se tem dedicado única e exclusivamente à investigação de variedades sem grainha. E como nós queremos estar onde estão os melhores, nós fizemos uma parceria com a Sun World. Nós pagámos as licenças e somos um de 5 em toda a Europa que comercializa estas variedades da Sun World. E depois em cada ano pagamos 5% do volume de facturação destas variedades, os tais royalties. E pagamos 25 mil euros para testar variedades. E depois das que testarmos ainda vamos ter que pagar todos os anos 5% daquelas que decidirmos produzir. Também temos uma parceria com uma outra empresa Americana, a SNFL. Não temos parcerias com empresas portuguesas porque não há. Em Portugal, desenvolveu-se muito a produção de uva para vinho, mas não tanto a de uvas de mesa.

Nós temos importado tecnologia, mas também investimos. Criamos a Academia de Formação Vale da Rosa. Vêm técnicos do exterior dar formação aos nossos funcionários. Os nossos técnicos vão ao exterior para trazerem know-how para a empresa.

**Portanto a empresa investe muito na qualificação dos seus recursos humanos?**

O maior capital que temos são as pessoas e quem faz a vindima são as pessoas. Em primeiro lugar temos que fazer uma boa selecção, em segundo lugar formar bem os nossos recursos humanos e em terceiro lugar manter o pessoal contente e feliz. Isto porque se as pessoas estiverem felizes, vão produzir mais. Para nós os recursos humanos têm uma relevância tão grande que contratámos uma empresa que é especialista na gestão eficiente dos recursos humanos, porque acreditamos que este é um aspecto tão importante e tão delicado para nós que temos que ter profissionais nesta área. Mais de 50% das despesas são relacionadas com salários, seguros de acidentes no trabalho, medicina do trabalho, transporte de pessoal. Portanto a nossa atenção, os nossos esforços têm que incidir na gestão do pessoal. Por isso temos hoje uma empresa que é a Formula do Talento, que nos dá assistência na gestão eficiente

dos recursos humanos. Ainda há pouco tempo lançou a Academia de Formação, em que os supervisores e técnicos recebiam formação a cada 15 dias. Começou-se a dar formação em gestão de equipa, psicologia, liderança, ao mesmo tempo que era dada formação técnica, de forma a termos recursos humanos mais capacitados.

**Os preços das uvas Vale da Rosa são superiores aos dos concorrentes?**

São porque como lhe mencionei os nossos custos de produção são superiores mas os nossos clientes reconhecem isso. Ainda no outro dia um cliente nosso nos disse que comprava as nossas uvas apesar de serem mais caras porque vendia tudo o que comprava e o cliente voltava para comprar mais.

**Que certificações detém a empresa?**

O facto de exportarmos para mercados exigentes como a Inglaterra obriga-nos a ter uma quantidade de certificações como o BRC, a TESCO, a GlobalGap. E temos empresas que nos vêm auditar. Alguns supermercados internacionais, enviam empresas para nos virem auditar. Em termos de prémios, ganhámos o prémio de PME Agrícola de 2012.

**Em que ano começaram a exportar e para que mercado?**

Bem, antes da revolução, a empresa já exportava desde 1972 para a conhecida cadeia de distribuição Marks & Spencer em Inglaterra. E quando o Dr. Silvestre regressou, em 2004, o Vale da Rosa começou a exportar novamente para o mercado inglês.

**Como é que a empresa estabeleceu o timing de entrada nos diversos mercados internacionais em que se encontra presente?**

Esta empresa advém de uma tradição de família. Em 1972 o pai do Dr. António Silvestre começou a exportar para o mercado inglês. Está no ADN da empresa esta aventura e descoberta de novos mercados. É claro que cada vez mais o mercado interno está conturbado e que as empresas vêm-se um pouco atemorizadas e empregam esforços de forma a colocar o produto noutros mercados. Se nós

produzimos “Mercedes” temos que procurar mercados que queiram e paguem o preço justo por um “Mercedes”.

E, como começámos a pensar em exportar mais, começámos a ir a feiras internacionais. E existe um organismo que é a Portugal Fresh que é uma instituição da qual somos sócios fundadores e fomos várias empresas representar Portugal nestas feiras. A Portugal Fresh surgiu da necessidade dos produtores alargarem os seus horizontes para os mercados externos. E este organismo permite a criação de um network. Há grandes certames que são feitos nos mercados internacionais e nos quais é importante estar presente. Exportar também tem a ver com encontrar as pessoas certas, ou porque nos são sugeridas ou porque as encontramos. E é importante que Portugal passe uma imagem de um país exportador e de produtos de qualidade. E procuramos mercado em que as pessoas têm mais poder de compra. Há mercados em que as pessoas querem maioritariamente produtos top. E pode ser mais caro exportar para estes mercados mas depois compensa.

### **Quais os objectivos estratégicos da empresa?**

O objectivo é sempre vender mais e melhor e estamos convencidos que o mercado externo é o veículo que nos pode garantir este objectivo. Não obstante ao facto de termos que fazer investimento em infraestruturas, como temos feito em infraestruturas de frio porque as uvas para exportação têm que ter um tratamento de frio diferente. E em consequência disso temos vindo ao longo do tempo a desenvolver as nossas infraestruturas que nos vão possibilitando este sonho de exportar mais.

### **A empresa pretende exportar para mais mercados ou consolidar a posição nos mercados em que se encontra presente?**

Agora pretendemos consolidar os mercados em que estamos presentes. Mas dado que queremos aumentar a quota de exportação, também consideramos a possibilidade de abrir a novos mercados. Portanto o futuro passa não só por consolidar quota de mercado em alguns mercados, bem como em expandir para novos.

### **2nd Interview with Dr. Ricardo Costa; Duration: Approximately 1 hour**



**Que tipo de variedades exporta para o mercado angolano?**

Isso é uma pergunta muito pertinente. Aqui há uns dias tivemos aqui um cliente que exporta para Angola, a empresa Luís Vicente, que nos disse que a uva branca não se vende lá muito. E uma coisa é aquilo que o mercado quer e outra é o que nós oferecemos com o intuito de poder influenciar o mercado. A uva preta e a red são as uvas que se comercializam mais que a uva branca. Exportamos uva com grainha. E sabe, não exportamos todas as variedades para todos os mercados. Por exemplo, há uma variedade que é mais sensível, a variedade Sophia, e portanto evitamos exportar para países mais distantes e tentamos comercializa-la maioritariamente no mercado interno.

**Como é que a empresa obteve informação sobre o mercado Angolano?**

Nós recebemos contactos de empresas que exportam para lá, mais precisamente a empresa Luís Vicente que é uma grande empresa portuguesa na comercialização de frutas e frescos. E depois, a construtora Teixeira Duarte, que investiu lá em Cash and Carries. Primeiro começámos a exportar indirectamente para Angola. Vendíamos à Luís Vicente e eles é que exportavam para lá. Depois, com a Teixeira Duarte começamos a vender directamente para lá. O contentor vinha para aqui e era carregado aqui e vinha cá o inspector, inspeccionar a mercadoria. De resto, não exportamos para mais nenhum supermercado directamente. Nesta campanha, vamos exportar já no próximo mês de Agosto. Sabe, eu estive para lá ir mas nunca lá cheguei a ir.

**E quais considera serem os vossos maiores concorrentes em Angola?**

Os Angolanos são muito receptivos aos produtos portugueses. A África do Sul produz ao contrário de nós e portanto a sua competição não é tão relevante. Os nossos concorrentes lá são alguns daqui, os espanhóis.

**Quais os factores que foram importantes na internacionalização da empresa para o mercado?**

O crescimento do mercado e a sua dinamização, e alguma estabilidade, foram importantes na decisão. Mas principalmente o contacto destes distribuidores. A população é de 20 milhões e está em expansão. Para além disso, os consumidores Angolanos desejam produtos bons, de qualidade. A economia e a sociedade está a dinamizar-se.

E, para já não temos tido barreiras ao comércio. Mas temos receio de alguma instabilidade, incerteza. Algum desconhecimento do mercado, tem sido uma barreira para a internacionalização. Para vender para mais empresas é preciso ir lá conhecer o mercado, estabelecer contactos.

### **Porque decidiram exportar para este mercado?**

Porque parece que houve uma altura que era moda exportar para Angola e nós gostamos de estar a par das tendências do mercado. Acreditamos no mercado de Angola. E Angola é muito apologista dos produtos portugueses.

### **3rd Interview**

**Tenho algumas questões que gostaria de lhe colocar relativamente ao processo de internacionalização da empresa.**

**Quais foram os primeiros mercados e porquê?**

Começámos primeiramente a exportar para os mercados Europeus devido à proximidade geográfica com estes mercados que facilita o processo de exportação. Para além disso, existe também uma maior facilidade em obter informação e conhecimento sobre estes mercados.

**Quem considera serem os vossos maiores concorrentes a nível internacional?**

Os nossos maiores concorrentes são os espanhóis e os italianos. O Chile, a África de Sul como produzem numa época diferente da nossa não os consideramos como a nossa grande concorrência.

**Como é que foi organizado ao longo do tempo o processo de internacionalização?  
Que mudanças organizacionais foram precisas?**

Para começarmos a exportar e nomeadamente para começarmos a exportar para uma maior diversidade de mercados foram necessárias várias mudanças. Começámos a participar em feiras internacionais, tivemos que adequar as nossas estruturas de frio, o que foi de maior relevância para começarmos a exportar para mercados mais distantes. Em alguns mercados, nomeadamente no mercado Chinês, tivemos que alterar o packaging, alterando a cor das caixas e o grafismo. Tivemos também que aumentar a resistência das nossas caixas e portanto tivemos que alterar o tipo de cartão das mesmas para que se tornassem mais resistentes no transporte para que não houvesse perdas de produto. Começámos a participar em debates, a focar a nossa comunicação no exterior. Portanto, como vê, foram necessárias algumas alterações que nos permitiram começar a exportar e nomeadamente exportar para mercados mais longínquos e com uma cultura distante da nossa.

**Como é que é formado o preço para os diferentes mercados para que exportam?**

Bem, acima do preço base é adicionado o custo do transporte, frete e seguro. Portanto, dependendo do mercado podemos acrescentar 0,20 cêntimos ou um pouco mais ou menos ao preço por quilo.

**Como têm evoluído as vendas no mercado Angolano, desde que começaram a exportar?**

Sabe, acreditamos que o mercado Angolano tem grande potencial mas que conhecimento do mercado e contactos seriam muito importantes. Gostávamos de exportar para lá 10 a 15% do que total das nossas exportações.

**Os acordos que têm com a Sun World e a SNFL são válidos para qualquer país em que operem?**

Sim, são.

**Uma última questão. Que objectivos financeiros e comerciais tem a empresa?**

Bem, números não tenho aqui para lhos fornecer mas nós queremos sempre valorizar o nosso produto e nunca perder valor na margem, até a aumentar se tal for possível. Isto é ainda mais relevante porque o custo dos factores de produção tem aumentado. Portanto tentamos também maximizar a escala e exportar mais, e exportar mais para mercados emergentes. Queremos começar em breve a exportar para o Dubai.

**Interviews in English**

**In your perspective what distinguishes Vale da Rosa from its competitors?**

Very good, I am going to tell you. The firm Vale da Rosa commercializes grapes. It is important to mention that Vale da Rosa commercializes Vale da Rosa's grapes. What do I mean by this? We created a brand. We don't want to sell just grapes, we want to sell Vale da Rosa. This is what in my opinion, differentiates us. To make Vale da Rosa we have superior costs than our competitors. This is what differentiates us; we gave a name to a commodity. Summing up, we created a brand and what really distinguishes us is the quality. The quality is a crucial factor, because in other way it would be difficult to compete with the Italians and the Spanish. The Italians have tradition of grapes' production. This is why our vineyards commissionaire is an Italian. The high quality is what differentiates us. Besides, we are lucky to be in a region, which imprints more taste in the products and fantastic organoleptic characteristics in the fruit.

**Do you believe the consumers perceive this quality?**

It is not always easy. There is a moto in philosophy that says that no one can desire what does not know. Therefore, Vale da Rosa has to be known, to be desired. And that is what we fight for, to produce a good product, and then, make it known, and desired. Which supermarket does not have Coca-Cola? And that is what we aim for, with our small dimension of course. Besides, we have a lot of challenges. In first place, the seasonality of the product, as we are only in the market six months per year. This year we will be a little bit more because we built two cold fridges, which allow us to preserve the grapes, with the intention of selling them out of the usual season.

Our modus operandi, we what concerns the production process already allow us to be in the market earlier than our competitors, as it created the effect of a greenhouse. This greenhouse makes the plant experience a different climate than the one that actually exists. It is created a microclimate that promotes grapes' maturation. The plastics are also important to extend the harvest period. We cover some varieties with the plastics and then we have a harvest period of 5 months and a half, while the normal one would be around 2 months.

**How many varieties does Vale da Rosa produce?**

We commercialize, at this moment 12 varieties, 6 of seeded grapes and 6 of seedless grapes. I will give you a catalog where you can see all of the types of grapes we produce in detail. We have 12 varieties in production, in ours 230 ha. From those 230 ha, 100 are of seedless grapes and 130ha are of seeded grapes. It is important to mention that we have various varieties in test in order to see if they adapt to our climacteric conditions.

**In which distribution channels are Vale da Rosa's grapes present?**

I would say we have three main distribution markets. Exports, the external market, represented 35% in terms of sales in 2012. This means, that from the 5000 tons we produced in 2012, 35% were destined to external markets. It is important to mention that we want to increase this number. In 2010 we exported only 10% of production. We have also augmented our production area, but grapes only produce after three years of plantation and they only enter in full production after 5 years. With this I mean that in 2014/2015, we will produce a volume of 6000 tons. Therefore, answering to your question, in 2010 we exported only 10%, in 2011 we exported 25%, in 2012 35% and in 2013 we would like to reach the 50%.

Other main distribution channels are the large retailers and wholesale markets, which are composed by MARME, in Lisbon, MAC in Coimbra and MAP in Oporto, MARB in Braga and MAFE in Faro, which in turn supply restaurants and smaller stores. What we are already doing and we pretend to do even more this year, as we hired a sales force, CellPlus, is to promote the firm near more distribution points. CellPlus

helps our distributors to sell more. Our product is a gourmet product and we want to be present in premium restaurants and gourmet stores, as well as, 5 star hotels.

**Which marketing campaigns does the firm have in order to promote the product near the final consumer?**

The marketing question is an important question for us. As I mentioned earlier, no one can desire a product that does not know. This is especially important because we produce a differentiate product that is more expensive than the ones of our competitors. This results from our differentiated method of production. We select bunches so that the quality of the grapes is superior. This is why the best technicians are so important, as they know the method of selection of bunches. This selection process also implies high levels of human capital. In this way, the marketing activity is very important to us, and that's why we hired a sales force, CellPlus, which helps us to perform degustation proofs in supermarkets, in order to generate awareness of the firm's products near the final consumers, namely in what concerns seedless grapes. We also invest in merchandising. We try it to be elegant and appealing. Very few companies in the agricultural sector, invest what we invest in merchandising. To produce 2000 units of these flyers, each flyer costs us more than 1,60€. And our package...Do you know our package? You know I went to Italy with a designer to see packages because Italians are known for the design. Dr. Silvestre and me went to Italy with the designer, just for him to get inspiration. We also went to Belgium and Paris, to the Regis market. Therefore, we invested in making our packages more attractive. But a clear marketing strategy, we still don't have, but we want to have it. Every year, we say we are going to do it but we always end up not having time to do it.

**And you also have a Facebook page.**

Yes, it is true. We hired a student from Évora's college to do that. But then he left and it was difficult to maintain the Facebook page. Therefore, we decided to hire , Blue Digital, which is a firm that only manages Facebook pages, in order to have our page always updated.

**In Facebook, there is the possibility of schedule visits to the firm. Do you intend to be part of a tourism route?**

Yes, Facebook, also announces the possibility of scheduling visits to the firm. We received many visits, from schools, universities, etc. Almost all children in the region have visited the firm. This is very important because children have influence in parents' purchasing habits and children love seedless grapes. Besides, we want that more and more people contact with our products, like it happened with Serra da Estrela cheese. For us it is very important to receive visits and we want to promote that. Last week, I had a meeting with one of the owners of one of the biggest tourism infrastructures in Beja and he told me he had a meeting with ANA Aeroportos in order to make Beja's airport to function more in order to attract foreigner to the Alentejo and Algarve region. And then they can go to Serpa, milking sheeps, and come to Vale da Rosa to collect grapes. Like it is done in Brazil, with the system fish and pay. People fish and then pay for what they fished. Therefore, we have relations with tourism infrastructures to direct tourists to here.

**Does the firm have social responsibility programs?**

We also have concerns in what regards social responsibility. We know Instituto Politécnico de Beja is having some problems because some students due to the crisis the country is going through are not capable of paying the tuition fees. Therefore, the firm is establishing a protocol with the Institute in which students come to work here during summer and we pay their tuition fees. And with this everybody wins.

**Which partnerships does the firm have as the one it has with Sun World?**

Seedless grapes have always existed, they just did not have a worth commercializing size. Therefore, the secret was to enlarge the size of bunches. International organizations have performed a lot of research in the area and made the commercialization of this type of grapes valuable. Sun World is one of those organizations. It is a Californian company that has been performing extensive research in what concerns the development of seedless varieties. And as we desire to be where the best are, we made a partnership with Sun World. We pay the licenses

and we are one out of five in Europe who commercializes the varieties developed by Sun World. And then each year we pay 5% of revenues in royalties. Notice that we pay 25000 euros to test varieties and then we still have to pay five percent of the revenues of the ones we decide to produce. We also have a partnership with another American company, SNFL. We don't have partnerships with Portuguese firms because there are not Portuguese firms in this area. In Portugal, the production of grapes for wine was more developed than the production of table grapes.

We have imported the technology and have been investing a lot. We created Academia de Formação Vale da Rosa, in which technicians from other countries come to give training to our technicians. Further, our technicians also go to other countries and bring know-how to the firm.

**So, you invest a lot in your human resources?**

The major capital we have is the human capital and who performs the harvest are the people. In first place, we have to make a good selection, in second place train our human resources well and in third place we have to keep our employees happy and satisfied. If people are happy, they will produce more. For us, the human resources are so important that we hired a firm specialized in the efficient management of human resources. We believe this is such a crucial and delicate aspect that we must have professionals in the area. You know, more than 50% of our expenses are related to salaries, work insurance, transport of employees. Therefore, our attention, our efforts must be focused on this area. Hence, we have a firm, Formula do Talento, which assists us in the efficient management of our human resources. It has launched Academia de Formação and provides courses in teams management, psychology, leadership, but as well as, technical training.

**The prices of Vale da Rosa's grapes are superior to the ones of the competitors?**

Yes, they are because as I mentioned to you earlier, our costs of production are superior but our clients recognize that. A few days ago one of our clients told us that he bought our grapes, although they were more expensive, because he could sell everything he bought and the client would come to buy more.



**Which certifications the firm possesses?**

The fact that we export to very demanding markets as the British market, makes us to have various certifications as BRC, TESCO, GlobalGap. We have companies that audit us. Some international supermarkets send auditing companies to audit our firm. In terms of prizes, we won “PME Agrícola” of 2012.

**In which year did you start to export and to which market?**

Well, before the Revolution the firm already exported since 1972 to the British market to the prestigious retailer, Marks & Spencer. Then when Dr. Silvestre came back he retook exports to this market in 2004.

**How did the firm establish the timing of entry in the diverse markets in which it is present?**

This company comes from a family tradition. In 1972, the father of Dr. Silvestre started to export to the British market. It is on DNA of the firm the adventure, the discovery of new markets. Of course, the economic problems in the internal market, pushes companies to search for new markets to sell their products. If we produce a “Mercedes” we have to find markets that want Mercedes and are willing to pay for one. Further, as we wanted to export more, we started to go to international fairs. There is an institution, which is Portugal Fresh, from which we are partners and founders, and which joins various firms to represent Portugal in international fairs. Portugal fresh emerged from the need of producers of extend their horizons. This institution allow for the establishment of a network. There are many important international fairs in which it is important to be present. Export is also about finding the right people, either because they are suggested or because we found them. Further, it is important that Portugal passes an image of an exporting country and of products of high quality. Moreover, there are markets in which people have high purchasing power and in which people want mainly premium products. And it can be more expensive to export to these markets but it is worthwhile.

**Which are the strategic objectives of the firm?**

The objective is always to sell more and better and we are convinced that the external markets are the right vehicles to assure that objective. Of course it is important to take into consideration the fact that exporting more demands investment in infrastructures as the ones we have performed to our cold facilities, given that the grapes destined to export need a different cold treatment than the ones destined to the internal market.

**The firm intends to export to more markets or consolidate the position it has in the markets in which it is present?**

Right now, we intend to consolidate the markets in which we are present. But considering that we want to increase even more our export market share we also desire to expand to new ones. Therefore, the future passes by augmenting market share in some markets and expanding to new ones.

## **2<sup>nd</sup> Interview in English**

**Which varieties does the firm export to the Angolan market?**

That is a very pertinent question. A few days we had a client, which exports to Angola, the firm Luis Vicente, who told us that white grapes are not very popular in Angola. The black and red grapes are the ones more commercialized. We export seeded grapes; the seedless grapes are new in the market. There is one variety that we produce that is highly sensible, Sophia, and we avoid exporting it, namely to more distant countries.

**How did the company obtain information about the Angolan market?**

We received contacts from companies that export to Angola, namely Luis Vicente, which is a big company in the commercialization of fruits. Then, we also received contacts from the construction firm Teixeira Duarte, which invested in Cash & Carries in Angola. We sold to Luis Vicente and then they exported to Angola. With Teixeira Duarte we export directly to Angola. The container came to the firm and it was storage here and inspected here. In this campaign we will export in August. I was supposed to go there but I ended up never going there. You know Angolans are very

receptive to Portuguese products. Besides, the main competitor in that market, South Africa, produces in a different period than us, and so, its competition is not relevant. Our competitors there are the ones from here, the Spanish.

**Which factors were relevant in the internationalization of the firm to this market?**

The growth of the market, its dynamics, and some stability were important factors in the decision. But very important, were the contacts of these distributors. Moreover, Angolan consumers desire high quality products.

For now we have not had barriers to trade. But we have some concern regarding the instability, the uncertainty. Further, some lack of knowledge of the market, has been a barrier to internationalization. To sell more, it is necessary to go there, know the market, establish contacts.

**Why did you decide to export to this market?**

It seems that there was a time when it was fashion to export to Angola and we like to keep up with the trends in the market. We believe in the Angolan market and Angola likes a lot the Portuguese products.

**3<sup>rd</sup> Interview**

**I have a few more questions that I would like to ask concerning the internationalization process of the firm. Which were the first markets and why?**

We started to export to European markets due to geographical proximity, with these markets, enhancing the exporting process. Furthermore, there is more easiness in obtaining information and knowledge about these markets.

**Who do you believe are your biggest competitors at the international level?**

Our biggest competitors are the Spanish and the Italians. Chile and South Africa, as they produce in a different period, we do not consider them our biggest competition.

**How was organized the internationalization process? Which organizational changes were necessary?**

To start exporting and namely to start exporting to a greater diversity of markets, it were necessary various changes. We started to participate in international fairs and we had to adequate our cold storage facilities, which were of greater relevance to start to export to farer markets. In the Chinese market we had to change the packaging, changing color and graphics. We also had to increase the resistance of our packages and so we had to change the carton used on their production in order to make them more resistant to transportation. We started to participate in debates and focus our communication of the exterior. Therefore, as you can see it were necessary some changes in order to export, more precisely to export to more distant markets not only geographically, but also culturally.

**How is it formed the price for the different markets to which the firm exports?**

Well, above the base price it is added the transportation cost, freight and insurance. Therefore, for example, depending on the market we may add 0,20 cents, more or less.

**How have the sales in the Angolan market evolved?**

You know, we believe that the Angolan market has great potential, unexplored, but that knowledge about the market would be very important. We would like to export to Angola 10 to 15% of our total of exports.

**The agreements you have with Sun World and SNFL are valid for any country in which the firm operates?**

Yes, they are.

**One last question: Which financial and commercial objectives does the firm have?**

Well, I don't have here the numbers. However, we always want to value our product and do not loose margin, and even augment it if possible. This is even more relevant because the cost of the factors of production has been augmenting and therefore, we should maximize scale and export more, namely to emerging markets. We would like to start exporting to Dubai in a near future.

**Appendix 2 – Survey Script (First it appears in Portuguese and later in English)**

**1. Vive em Angola?**

Sim

Não

(Se a resposta for Não o survey termina)

**2. Se é expatriado por favor indique há quanto tempo está no país?**

Menos de 6 meses

1 a 2 anos

Mais de 2 anos

> 5 anos

**3. Tem conhecimento da existência de uvas sem grainha (uva sem semente)?**

Sim

Não

**4. Se respondeu sim, diga como teve conhecimento da uva sem grainha.**

Televisão

Internet

Prova de degustação num supermercado

Word of mouth (Familiares, amigos, conhecidos)

Vi no supermercado e decidi experimentar

Outro:

**5. Costuma consumir uvas sem grainha?**

Sim

Não

**6. Se respondeu sim, quantas vezes por mês costuma consumir uvas sem grainha?**

1 vez por mês

2 vezes por mês

1 vez por semana

2 vezes por semana

**7. Se não consome, indique a razão (pode indicar mais do que uma razão).**

Dado não se encontrarem em muitos pontos de venda

Dado preferir as uvas com grainha

Devido ao preço elevado

**8. Se consome, classifique de 1 (Discordo plenamente) a 5 (Concordo Plenamente) as seguintes afirmações.**

Muito saborosas

Facilidade de consumo comparativamente às uvas com grainha

Boa relação qualidade - preço

Especialmente adequadas para as crianças

Adequadas para festas pelo facto de ser um produto mais sofisticado

**9. Quanto estaria disposto a pagar por 1 kg de uvas com grainha? (valores em dólares)**

6-8

8-10

10-12

12-14

14-16

**10. Quanto estaria disposto a pagar por 1 kg de uvas sem grainha? (valores em dólares)**

6-8

8-10

10-12

12-14

14-16

**11. Preocupa-se com a marca das uvas que consome?**

Sim

Não

**12. Conhece a marca Vale da Rosa?**

Sim

Não

**13. Se conhece a marca a que características a associa:**

Qualidade

Cor-de-rosa

Sofisticação

Apelativa

Saudável

Dispendiosa

**14. Se a resposta à questão “Conhece a marca Vale da Rosa?” foi sim, classifique por favor as seguintes afirmações de 1 (discordo plenamente) a 5 (concordo plenamente).**

Considero que existe uma grande quantidade de informação sobre o Vale da Rosa e os seus produtos

Considero que os produtos da empresa não se encontram em muitos pontos de venda/supermercados

Considero que os produtos Vale da Rosa estão muito visíveis nos supermercados

Considero a embalagem da empresa difícil de distinguir das da concorrência

Considero que as embalagens do Vale da Rosa são muito apelativas

**Caracterização da amostra**

**15. Sexo**

Feminino

Masculino

**16. Faixa Etária**

18-24

25-34

35-44

45-54

55-64

>65



**17. Habilitações literárias**

Ensino Básico

Ensino Secundário

Licenciatura

Mestrado

Doutoramento

**18. Nacionalidade**

Angolano

Não Angolano

**Version in English**

**1. Do you live in Angola?**

Yes

No

(If the answer is No the Survey ends)

**2. If you are an expatriate please indicate your time of residence in the country?**

Less than 6 months

Between 1 and 2 years

More than 2 years

More than 5 years

**3. Are you aware of the existence of seedless grapes?**

Yes

No

**4. If the answer to the previous question was yes, please indicate how did you become aware of the existence of seedless grapes:**

Television

Internet

Tasting proofs in a supermarket

Word of Mouth (Family, Friends, Acquaintances)

I just saw in the supermarket and decided to try

Other:

**5. Do you usually consume seedless grapes?**

Yes

No

**6. If your answer was yes, please indicate how frequently do you consume seedless grapes.**

Once a month

Twice a month

Once a week

Twice a week

**7. If the previous answer was No please indicate the reasons:**

They are not sold in many points of sale

They are expensive

I prefer seeded grapes

**8. If the previous answer was yes please classify from 1 (totally disagree) to 5 (totally agree) the following reasons:**

Very tasteful

Easy to consume when compared with seeded grapes

Good relation quality-price

Especially adequate to children

Especially adequate for parties as they are a more sophisticated product

**9. How much would you be willing to pay for a kg of seeded grapes? (In dollars)**

6 - 8

8 - 10

10 - 12

12 - 14

14- 16

**10. How much would you be willing to pay for a kg of seedless grapes? (In dollars)**

6-8

8-10

10-12

12-14

14-16

**11. Do you consider that the brand is relevant when you purchase table grapes?**

Yes

No

**12. Do you know Vale da Rosa brand?**

Yes

No

**13. If the answer to the previous question was yes, please indicate the characteristics you associate to the brand:**

Quality

Pink

Sophistication

Appealing

Healthy

Expensive

**14. If the answer to the question “Do you know Vale da Rosa brand?” was yes, please classify the following sentences from 1 (totally disagree) to 5 (totally agree).**

I believe there is a great amount of information about Vale da Rosa and its products

I believe the firm’s products are not seen in many supermarkets

I believe the firm’s products are highly visible in the supermarket

I believe Vale da Rosa’s package is not easily distinguishable from others in supermarkets

I believe Vale da Rosa’s package is very appealing

**Characterization of the sample**

**15. Gender**

Female

Male

**16. Age**

18-24

25-34

35-44

45-54

55-64

>65

**17. Education**

Basic Education

Secondary Education

Undergraduate Degree

Master

PhD

**18. Nationality**

Angolan

Not Angolan

### **Appendix 3 – Certifications**

#### **GlobalGap**

GlobalGap standards intend to assure food safety, traceability, environmental sustainability and workers' health and safety. A certification body audits the company who intends to obtain the certification in order to guarantee the compliance with all the elements previously mentioned.

#### **British Retail Consortium (BRC) Storage/ Distribution**

British Retail Consortium standards ensure the maintenance of the quality and safety of products throughout their storage. This certification signs to customers that the firm in question has been in conformity with demanding international benchmarks in best practice, risk appraisal and quality system. This certification provides enhanced credibility and recognition, as certified firms may use BRC logo for marketing purposes.

#### **NSF – CMi**

NSF – CMi constitutes one of the mostly recognized and respected food assurance brands. A certification from NSF-CMi assures consumers the products they are consuming surpass worldwide-acknowledged standards of health, safety and origin.

#### Appendix 4 - SMEs motives for Internationalization

Firms may internationalize for various reasons. The factors that may lead firms to internationalize can be divided in proactive and reactive (Czinkota, 2004). The reasons that lead the firm to internationalize are of great relevance to understand the context surrounding the firm, firm specific and also country-specific information, strengths and weaknesses of the company, and present market characteristic relevant to the internationalization process.

Proactive reasons mean that the firms' option to internationalize may be justified by their willingness to exploit firm-specific resources and capabilities and/or opportunities existent in the international market. If a firm decides to internationalize due to reactive reasons, it means that a firm reacts to threats, either in internal market or overseas (Czinkota, 2004; Hollensen, 2008).

**Table 1: Motives to internationalize**

Proactive	Reactive
Managerial Urge	Excess capacity
Profit and growth objectives	Overproduction
Unique advantages in terms of technology, process or product	Extension of sales of seasonal products
Tax benefits	Domestic market: small and saturated
Exclusive information	Competitive pressures
Economies of scale	Proximity to international customers
Foreign market opportunities	Unsolicited Foreign Orders

Source: Adapted from Hollensen (2008), "Essentials of global marketing" and Czinkota (2004), "The Export Marketing Imperative"

#### Proactive motives

**Profit and growth objectives:** Managers may perceive the entrance in new markets as an opportunity to enhance profits. The more the firm desires to grow, the more intense will be the search for new market opportunities.

**Technological superiority or production of exclusive products:** A firm may offer a product differentiated from the one offered by its competitors, conferring it competitive advantage (Hollensen, 2008).

**Managerial urge:** Concerns the management motivation to engage in international activities. Managerial urge may be a manifestation of an entrepreneurial spirit or a wish for unceasing growth and expansion. The internationalization process may also be triggered by an international experience lived by managers, which lead to the creation of a mindset oriented towards internationalization (Hollensen, 2008).

**Tax benefits:** In a great number of countries, mainly countries with a small domestic market, government provides incentives to stimulate the internationalization of firms (Czinkota, 2004)

**Economies of scale:** Starting activities internationally may allow the firm to produce more, move along the learning curve, reduce the costs of production, making it more competitive also in the domestic market. These scale effects allow firms to spread fixed costs through a greater number of units (Hollensen, 2008).

**Foreign market opportunities/exclusive information:** Exclusive market information, this means information about foreign customer and marketplace that is not widely available, may stimulate a firm to engage in international activities (Hollensen, 2008). This exploration of possible international market opportunities may be dependent on the firm's specific capabilities or assets (Hollensen, 2008). Further, a firm is likely to address foreign market opportunities that are more similar to the ones existent in the domestic market (Johanson and Vahlne, 1977; Hollensen, 2008).

### **Reactive Motives**

**Domestic market - small and saturated:** If the domestic market is small and is saturated, forbidding firms to attain economies of scale and scope, companies may be pressed to export. Moreover, if the sales of the product are declining in the domestic market, or if the products being commercialized in the domestic market are at a declining phase of the product lifecycle, firms may internationalize (Czinkota, 2004).

If the domestic market is saturated this may mean that there are idle productive resources within the firm. This may be a reason to address new foreign market opportunities as, a firm disposes resources, not only in terms of physical resources but also in terms of knowledge, to undertake the opportunity (Hollensen, 2008).

**Competitive pressures:** The threat of losing market share in the domestic market to competitors, which have expanded activities overseas and so were able to take advantage of economies of scale, may push a firm to engage in international activities. Further, the fact that competitors are expanding to foreign markets may lead a firm to internationalize in order to avoid competitors from establishing in the market and building reputation (Czinkota, 2004; Hollensen, 2008).

**Overproduction:** In a downturn in the domestic market, firms may be overproducing and so, internationalization may seem very attractive. However, in this case expanding into foreign markets usually represents a short-term oriented strategy, given that as soon as the domestic market recovers, international activities will be ceased. Firms with this type of strategy may face huge difficulties in returning to conduct overseas business in that market (Czinkota, 2004).

**Excess Capacity:** Changes in demand in the domestic market may leave firms with excess production capacity, leading firms to search for opportunities in international markets (Hollensen, 2008). Further, if firms have excess capacity, they may also see exploration of foreign markets, as an opportunity to spread the fixed costs (Czinkota, 2004).

**Extended Sales of seasonal products:** The extension of sales of seasonal products may also be a powerful motivation to internationalize, given that seasonality in demand may differ when comparing the domestic with international markets. In this case, firms may decide to explore opportunities overseas in order to assure some consistency in sales and in production, assuring, therefore, a more constant demand (Hollensen, 2008).

**Proximity to international customers:** Proximity with other markets, either in terms of psychological or geographical distance, may be a reason to internationalize.



In this point, it is important to mention **Ghemawat's CAGE framework** that refers that each nation has its idiosyncrasies and proposes four dimensions to assess similarities and differences between countries: Cultural distance, Administrative and Political distance, Geographical distance and Economic differences. In the first dimension, factors as language and cultural differences and historical links may function as drivers or inhibitors in the internationalization process. In the second dimension, factors as differences in currency and strength of financial and legal institutions may affect the expansion process of a firm. Concerning the third dimension, factors as lack of sharing of a common border and appropriate transportation means will impact the costs a firm will incur while expanding and so its willingness in doing it. In the fourth dimension, distinctiveness in terms of distribution of income and information will influence the internationalization process of the firm (Ghemawat, 2001).

**Unsolicited Foreign Orders:** Firms, especially small firms, may start to internationalize as their products generated requests from international markets (either from presence in expositions or advertising in trade journals) (Hollensen, 2008).

## **Appendix 5 - Internationalization models**

### **The stage approach**

According to the stage model approach, a firm firstly functions merely in the domestic market, and only after reaching a secure position, progressively expands activities overseas. In this approach, the internationalization process is seen as a sequential process composed by different stages (Daszkiewicz and Wach, 2012).

The most renowned stage model is the Uppsala model (U-Model) (Johanson and Vahlne, 1977). However, various stage models, besides the one previously mentioned were elaborated throughout the years.

In all the models, firms initially only serve the domestic market and the internationalization process is considered an ongoing and sequential process, which evolves through various stages, based on an increase in commitment from the enterprises and acquisition of knowledge, information and market experience (Daszkiewicz and Wach, 2012).

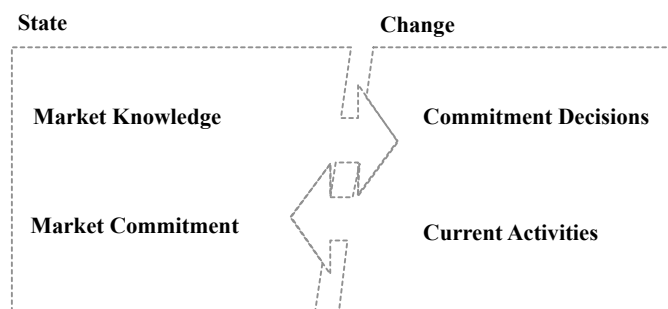
### **The Uppsala model**

According to the Uppsala Model, the internationalization process is a consequence of a variety of incremental decisions, leading firms to follow a sequential process composed by four stages: sporadic export activities, export through independent agents, settlement of a foreign subsidiary of sales and lastly, foreign production. This sequence of stages was denominated establishment chain. These stages are a result of the growth of sales, as well as, the integration by firms of the knowledge gained in international markets. Internationalization is a learning process and firms learn from their experience in foreign markets and progressively, toughen their position through increasing the level of commitment in terms of resources, which in turn will influence activities of firms overseas (Johanson and Vahlne, 2009).

This model asserts that firms start the internationalization process usually in markets similar to the home market and afterwards take advantage of opportunities in markets farer in terms of psychic distance. Psychic distance concerns to factors that make tougher the comprehension of the overseas market. In each market firms will start by

following a procedure that demands low-commitment in terms of resources and later move to procedures that demand higher levels of commitment. This process is based on the concept of liability of foreignness, which refers to the existence of extra costs of doing business overseas. This implies that the larger the psychic distance, the larger the liability of foreignness, meaning the more distant a firm goes the higher the costs it has to face to enter the market (Johanson and Vahne, 2009).

**Figure 1: The Uppsala Model (1977)**



Source: Adapted from Johanson, J., Vahlne, J-E., (1977), The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments, *Journal of International Business Studies*

Henceforth, the model asserts that internationalization is dependent on two factors: the knowledge a firm holds, more specifically experiential knowledge, and the degree of uncertainty concerning the decision to internationalize (Johanson and Vahne, 2009). A great number of researchers believe the stage approach is highly valuable in explaining the internationalization process of SMEs. Nevertheless, a wider number of exceptions to this approach have been found and some researchers have argued that the stage model approach has to be modified (Gankema et al, 2000). The stage models do not explain the internationalization process of many firms in nowadays' global environment. Further, this approach does not consider also that internationalization does not always occur in an incremental way and there may be phases of de-internationalization, in which firms withdraw activities from some markets (Benito and Welch, 1997). Moreover, an increasing number of firms, was found, to embrace a global strategy, since their inception (Oviatt and McDougall, 1994). Some new models, intending to explain the gaps left by these models, have emerged, leading to

the appearance of two other approaches, the network and the international entrepreneurship approach.

### **The Network-based approach**

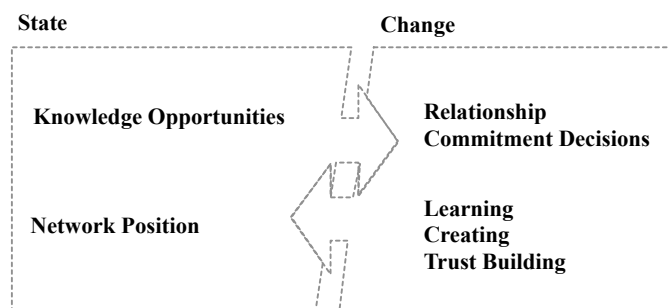
Network relations allow firms to identify international market opportunities (Daszkiewicz and Wach, 2012) and to obtain local market knowledge and information, as well as, contacts (Coviello and Munro, 1997). Further, business networks diminish time, risk and cost, a firm incurs, while establishing in foreign markets and may provide firms competitive advantage by reducing transactions and search costs (Daszkiewicz and Wach, 2012). Business networks allow for a progressive learning and an increase in market knowledge, contributing therefore to a successful and swift internationalization (Seppo, 2007).

Two main theories, within the network perspective, are considered in this work, the Uppsala revised Model, and the Network-based Internationalization Approach developed by Johanson and Mattson (1988).

The Uppsala revised model is based on concepts developed in the Uppsala model, but with a focus on business networks (Johanson and Vahlne, 2009). The firm is embedded in a network that is, at the same time, a constraint and a facilitator in the internationalization process. The networks have an impact on the geographical market a firm chooses to enter, as well as, the mode of entry adopted. This new model is based, as the original model, on two types of variables: state and change variables. The two types of variables influence each other, portraying the model a dynamic process in terms of learning, trust and commitment.

**Figure 2: The business network internationalization process (the 2009 version)**

#### **The Uppsala Model Revisited**



Source: Adapted from Johanson, J., Vahlne, J-E., (2009), The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, vol.40, Journal of International Business Studies, Academy of International Business

As it is depicted in figure 2, the structure of the model is the same as the original model, with the introduction of some variables and the changing of others. In the upper left box, it was introduced the identification of opportunities in the knowledge concept, implying that opportunities constitute the most relevant element of knowledge. The second state variable is network position that substituted the market commitment variable of the previous model. This variable intends to demonstrate that the internationalization process of a firm occurs within a network.

The change variables, “learning, creating and trust-building” substituted “current activities”. The other change variable was adapted from the original model and renamed “relationship commitment decisions”, intending to demonstrate that deviations in the level of commitment are related to the network of relationships. Therefore, firms by increasing their knowledge and constructing solid and trustful relationships, may establish a network position that will influence their commitment to the relationships in the network (Johanson and Vahlne, 2009).

Johanson and Mattson (1988) proposed the Network-based Internationalization Approach, in which firms are placed within their network, which in turn will have an impact on their internationalization process (Johanson and Mattson, 1988 in Strategies of Global Competition, 2012).

According to the model, the internationalization process evolves within the network of the firm via three steps: international market expansion, international market penetration and international market integration. Market expansion refers to the establishment of positions that are new to the firm, this means, the firm will establish a new position in a new market, as a network. Market penetration means the enhancement of positions and the increase in resource commitments in networks in which the firm is already placed. Integration refers to coordination between the positions of various national networks (Johanson and Mattson, 1988 in Strategies of Global Competition, 2012).

A key element of this model refers to the position of the firm within the network, which is determined by two factors: level of internationalization of the firm and level of internationalization of the network (Ruzzier et. Al, 2006).

Based on the two factors abovementioned, a matrix was developed by the researchers and four market positions were identified: early starter, lonely international, late starter and international among others (Johanson and Mattson, 1988 in Strategies of Global Competition, 2012).

The early starter corresponds to a firm, that positions itself, in markets in which suppliers, competitors and other partners have some relationships, not having information about the global market. The lonely international corresponds to a firm that has enough knowledge about international markets valuable to perform international activities, although suppliers, competitors and partners do not have access to foreign markets. The late starter corresponds to a firm that, although competitors, partners and suppliers have broad international relationships, does not have sufficient knowledge about international activities. Therefore, this type of firms usually has indirect relationships with foreign partners, through their suppliers and competitors. Lastly, the international among others, comprises firms that have a great experience in international markets and their environment is also extremely internationalized, having strong networks (Johanson and Mattson, 1988 in Strategies of Global Competition, 2012).

In these models, it is assumed that firms are interdependent, and interaction between firms might enhance their strategic positioning, as it might help them to acquire resources, skills and information valuable and needed in the internationalization process (Ruzzier et al., 2006).

An aspect that seems to be ignored in these network theories refers to the influence exerted by individuals, mainly entrepreneurs, in the internationalization of small and medium enterprises. A social network is also of great relevance when considering internationalization of firms, as knowledge existent in long-term relationships is usually concentrated in a person in the firm. This person will have great influence in the internationalization process of the firm via social relationships with other people (Ruzzier et. al., 2006). This led to the emergence of new theories and a new approach to internationalization, the International Entrepreneurship Approach.

### **The International Entrepreneurship Approach**

The role of the entrepreneur is especially important in the internationalization of SMEs. This has led to the emergence of a new approach denominated international entrepreneurship. International entrepreneurship can be defined as “ combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000)

In this approach, the role played by the entrepreneurs is of greater relevance in the internationalization process of SMEs.

Entrepreneurs may be seen as a basis of competitive advantage, as they possess individual-specific resources that are crucial to the identification of new opportunities and to the gathering of the necessary resources for the venture (Alvarez and Busenitz, 2001).

Entrepreneurs' previous international experience plays a significant role in the identification of foreign market opportunities, building of market knowledge and establishment of a network, which are important in new venture internationalization (McDougall et al., 2003). Some authors focus not only on the entrepreneur but also on the management team (Carpenter et al., 2003).

## Appendix 6 - Major supermarkets in Angola

Supermarket	Ownership	Number of stores	Important remarks
<b>Maxi</b>	Portuguese group - Teixeira Duarte	Luanda (8 stores), Kwanza Sul (2 stores) and Benguela (1 store). The group created in December 2011 the proximity brand Bom Preço.	The group has activities in: civil construction, real estate, tourism and hospitality (owns various hotels and restaurants) and automobile market. The company has a logistic center in Luanda Sul, where it stocks the products it imports to then distribute for all its stores.
<b>Mega – Cash and Carry</b>	Refriango Group - an Anonymous Society of Portuguese and Angolan capital	1 store- opened in 2010	The firm established as main goal, to become the major distribution center of food products, with a focus on perishable products. Complementary services: home delivery, restaurant and cafeteria.
<b>Casa dos Frescos</b>	Angolan Capital	6 stores localized in Luanda, Viana e Talatona	It targets high-end consumers and so, its main focus, are high quality fresh foods, fruits and vegetables. The firm has mainly small stores localized near consumers with high purchasing power
<b>Jumbo</b>	30% by Group Auchan and the remaining by local capital.	1 store	
<b>Kero</b>	Angolan group Zahara	7 stores in Luanda and suburbs, Beguela and Lobito	
<b>Alimenta Angola – Cash and Carry</b>	Indian Sanzi Group		
<b>Continente</b>	The Portuguese Group	The group plans to open	The estimated investment of this



	Sonae established a partnership with the Angolan Condis mainly detained by Isabel dos Santos	3-5 stores in Luanda and a logistic center.	project is 103 million dollars. The internationalization to Angola of Continente might constitute a good opportunity for Vale da Rosa to increase market penetration.
<b>Shoprite</b>	South African group Shoprite	3 stores in Luanda, Lobito, Benguela, Huambo and Lubango	It also has smaller stores under the USave brand name

Source: All the company's websites consulted at 21/07/2013 and The Office of the Agricultural Counselor Embassy of the Kingdom of Netherlands, 2012

## **Appendix 7 – Angolan distributors of Vale da Rosa Products**

### **Teixeira Duarte Group**

Teixeira Duarte Group is one of the biggest Portuguese Economic Groups. Throughout the last decades, the firm has been growing sustainably, expanding to various countries and diversifying the sectors of activities in which it is present.

Teixeira Duarte Group has 11.500 employees, and operates in 14 countries, having activities in 7 different sectors: Construction, Real Estate, Concessions and Services, Hotel Services, Distribution, Energy and Automobile.

Angola was the first country to which the group expanded in 1976. Nowadays, in Angola it has activities in the following areas: Construction, Cement, Concrete and Aggregates, Real Estate, Concessions and Services, Hotel Services, Distribution and Automobile.

### **Luís Vicente SA.**

Luis Vicente SA is a firm with 50 years of experience and an extended know-how in the fruit and vegetables market. The firm aims to have a prominent position in this market and so it assures that the fruits and vegetables it commercializes comply with the most rigorous standards of quality and hygiene. It is an important Portuguese company of storage and distribution of fruits and vegetables. Besides

commercializing fruits and vegetables from 106 producers, it also produces in Herdade de Penique. In 2012 its revenues reached 50 million euros.

The company has five business units: Freixofeira, Exports, Wholesale market of Lisbon (MARL), Storekeepers and Azores.

The company has two export centrals in which it stores the fruits and vegetables destined to export. The firm also imports fruits from South America and South Africa through the brand “Plump”.

In Angola, it has a logistics and commercial platform with a cold storage capacity of 1500 tons of products.

### Appendix 8 – Prices of table grapes in Angola

CATEGORY	ORIGIN (COUNTRY)	PRICE / KG	CURRENCY	COMPANY & ORIGIN
1. Seeded grapes	Portugal	6	Dollars	Vale da Rosa - Maxi
2. Seedless grapes	Not possible to determine	10	Dollars	Casa dos Frescos
3. Seedless grapes	Not possible to determine	14	Dollars	Casa dos Frescos

Fieldwork performed by Salete Nascimento, in August 2013

### Annex 9 - Barriers to Internationalization

All the restrictions, which hamper a firm’s capacity to start, develop or maintain operations in international markets, constitute barriers to internationalization. These barriers can be divided in internal and external. Internal barriers are barriers related to organizational competences and a firm’s approach to export. External barriers refer to barriers related with home and host country environment (Leonidou, 2004).

Internal barriers can be divided further in functional, informational and marketing barriers. External barriers can be divided in procedural, governmental and task barriers (Leonidou, 2004). In table 2 are synthesized all the barriers a firm may be posed when internationalizing.

<b>Internal</b>
<b>Informational:</b> Information inefficiencies may lead to difficulties in recognizing opportunities in

international markets.

- Dwindling information to analyze markets
- Difficulty in finding accurate international market data
- Difficulty in recognizing foreign business opportunities
- Difficulty in contacting overseas customers

**Functional:** Problems regarding the diverse functions of the firm, as human resources, operations and finance.

- Reduced managerial time to deal with exports
- Untrained export personnel
- Unavailability of excess production capacity
- Lack of working capital

**Marketing:** Barriers related with the firm's product, pricing, placement and promotion activities in international markets.

**Product**

- Developing new products for foreign markets
- Adjustment of the product design/style
- Complying with export product quality standards/specifications
- Complying with export packaging/ labeling requirements
- Providing aftersales service

**Price**

- Providing satisfactory prices to customers
- Lack of capacity to equal competitors' prices
- Conceding credit benefits to foreign customers

**Distribution**

- Complexity of foreign distribution channels
- Difficulty in accessing export distribution channels
- Difficulty in attaining reliable foreign representation
- Keeping control over foreign middlemen
- Striving to supply inventory abroad

**Placement**

- Lack of warehousing facilities abroad
- High transportation/insurance costs

**Promotion**

- Adaptation of export promotional activities

External
<p><b>Procedural:</b> barriers related with operational features of transactions with customers overseas.</p> <ul style="list-style-type: none"><li>• Complex Exporting Processes and/or Documentation</li><li>• Difficulties in Communicating with foreign customers</li><li>• Difficult and dawdling collection of payments from abroad</li></ul> <p><b>Governmental:</b> barriers related with home country government actions or lack of them regarding exporting companies.</p> <ul style="list-style-type: none"><li>• Shortage of government assistance/incentives for exporting</li><li>• Harsh and complex home government rules and regulations</li></ul> <p><b>Task:</b> barriers related with the firm's competitors and customers in overseas markets.</p> <ul style="list-style-type: none"><li>• Dissimilar foreign customer habits/attitudes</li><li>• Strong competition in overseas markets</li></ul> <p><b>Environmental:</b> barriers regarding the political-legal, socio-cultural and economic environment of the overseas market in which the company operates or intends to operate.</p> <ul style="list-style-type: none"><li>• Dwindling economic conditions abroad</li><li>• Foreign currency exchange risks</li><li>• Lack of political stability in foreign markets</li><li>• Unfavorable foreign country rules and regulations</li><li>• Excessive tariff and nontariff barriers</li><li>• Unfamiliar foreign business practices</li><li>• Dissimilar socio-cultural behaviors</li><li>• Verbal/Nonverbal language dissimilarities</li></ul>

Source: Adapted from Leonidou, L., (2004), " An analysis of the barriers hindering small business export development", Journal of small business Management, pp 278-302

## Annex 10 – Detailed calculations of costs and profits of exporting

### Total exports to Angola (in percentage)

	Pessimistic	Expected	Optimistic
<b>2014</b>	2,50%	3,50%	4,50%
<b>2015</b>	3,50%	4,50%	5,50%
<b>2016</b>	4,50%	5,50%	6,50%

### Total exports of seedless grapes (in percentage of the total exports)

	Pessimistic	Expected	Optimistic
<b>2014</b>	0,0025	0,0035	0,0045
<b>2015</b>	0,007	0,009	0,011
<b>2016</b>	0,0135	0,0165	0,0195

### Total exports of seedless grapes (in tons)

	Pessimistic	Expected	Optimistic
<b>2014</b>	15	21	27
<b>2015</b>	42	54	66
<b>2016</b>	81	99	117

### Total exports of seeded grapes (in percentage of total exports)

	Pessimistic	Expected	Optimistic
<b>2014</b>	0,0225	0,0315	0,0405
<b>2015</b>	0,028	0,036	0,044
<b>2016</b>	0,0315	0,0385	0,0455

### Total exports of seeded grapes (in tons)

	Pessimistic	Expected	Optimistic
<b>2014</b>	135	189	243
<b>2015</b>	168	216	264
<b>2016</b>	189	231	273

**Total revenues of seedless grapes**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	40500	56700	72900
<b>2015</b>	113400	145800	178200
<b>2016</b>	218700	267300	315900

**Total revenues of seeded grapes**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	310500	434700	558900
<b>2015</b>	386400	496800	607200
<b>2016</b>	434700	531300	627900

**Prices**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Price of seeded grapes</b>	2,3	2,3	2,3
<b>Price of seedless grapes</b>	2,7	2,7	2,7

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>	<b>Total of Revenues</b>
<b>2014</b>	351000	491400	631800	
<b>2015</b>	499800	642600	785400	
<b>2016</b>	653400	798600	943800	

**Costs of Exporting**

<b>Freight</b>	3430
<b>Transportation</b>	200
<b>ARC (CNCA) - 70 Impresso + 100 taxa</b>	170
<b>Baf</b>	590
<b>Congestion</b>	110
<b>THC</b>	190
<b>Taxa Porto</b>	10
<b>ISPS</b>	10
<b>Selo + Port Security</b>	18
<b>BL</b>	55
<b>Total costs per container</b>	4783
<b>Insurance</b>	0,5*FOB
<b>Trips</b>	2250
<b>Accommodation (double room; a week)</b>	1905

**Total costs of insurance of seeded grapes**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	150	210	270
<b>2015</b>	210	270	330
<b>2016</b>	270	330	390

**Total costs of insurance of seedless grapes**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	155250	217350	279450
<b>2015</b>	193200	248400	303600
<b>2016</b>	217350	265650	313950

**Total insurance costs**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	20250	28350	36450
<b>2015</b>	56700	72900	89100
<b>2016</b>	109350	133650	157950

**Max. Tons of a 20ft container**

20

**Total quantity of table grapes exported (in tons)**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	175500	245700	315900
<b>2015</b>	249900	321300	392700
<b>2016</b>	326700	399300	471900

**Number of containers necessary**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	8	11	14
<b>2015</b>	11	14	17
<b>2016</b>	14	17	20

**Total costs of containers**

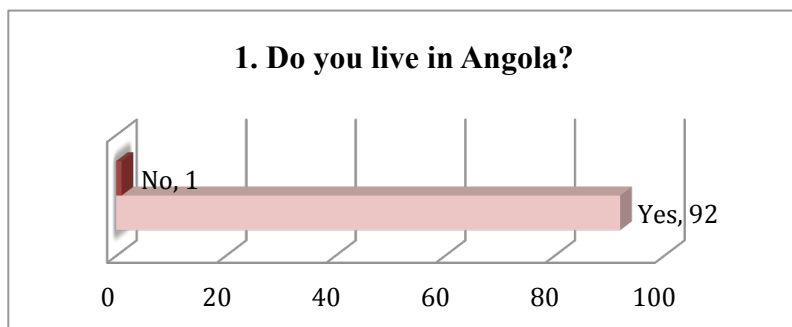
	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	35872,5	50221,5	64570,5
<b>2015</b>	50221,5	64570,5	78919,5
<b>2016</b>	64570,5	78919,5	93268,5

**Total costs of exporting**

	<b>Pessimistic</b>	<b>Expected</b>	<b>Optimistic</b>
<b>2014</b>	215527,5	300076,5	384625,5
<b>2015</b>	304276,5	390025,5	475774,5
<b>2016</b>	395425,5	482374,5	569323,5

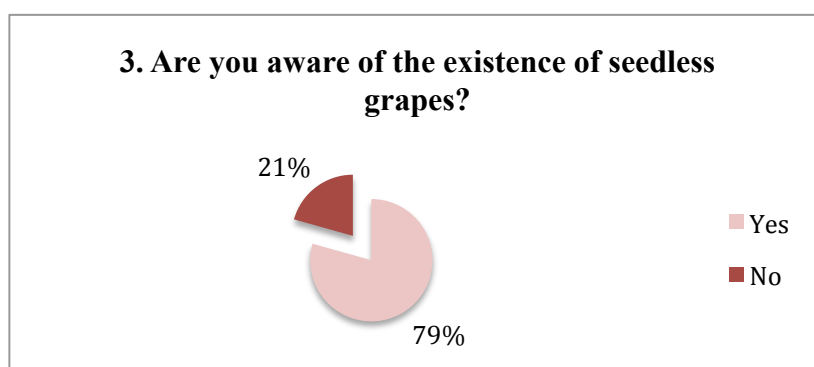


## Annex 11 - Survey Results

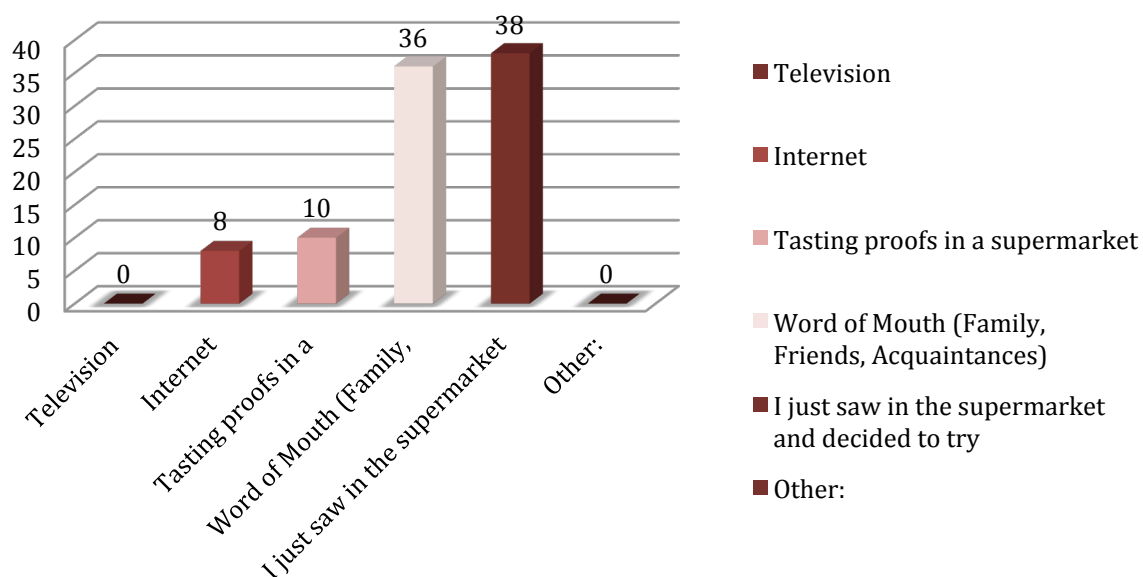


### 2. If you are an expatriate please indicate your time of residence in the country?

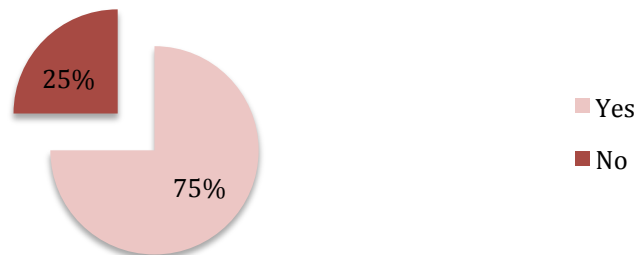
Less than 6 months	4
Between 1 and 2 years	26
More than 2 years	28
More than 5 years	34



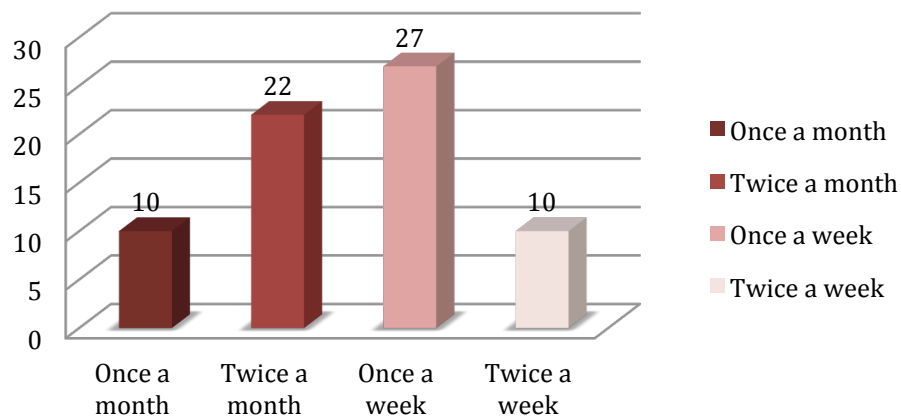
### 4. Please indicate how did you become aware of the existence of seedless grapes



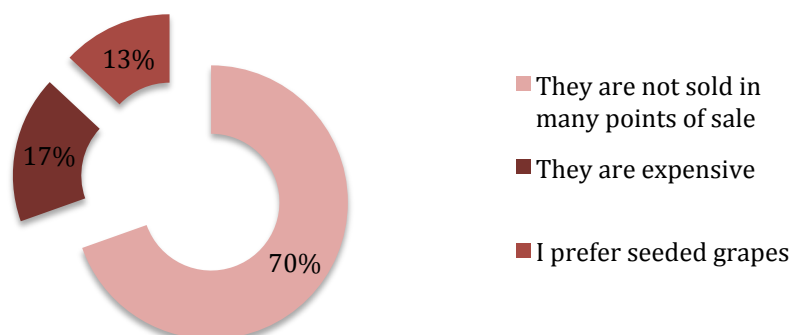
**5. Do you usually consume seedless grapes?**



**6. Please indicate how frequently do you consume seedless grapes**



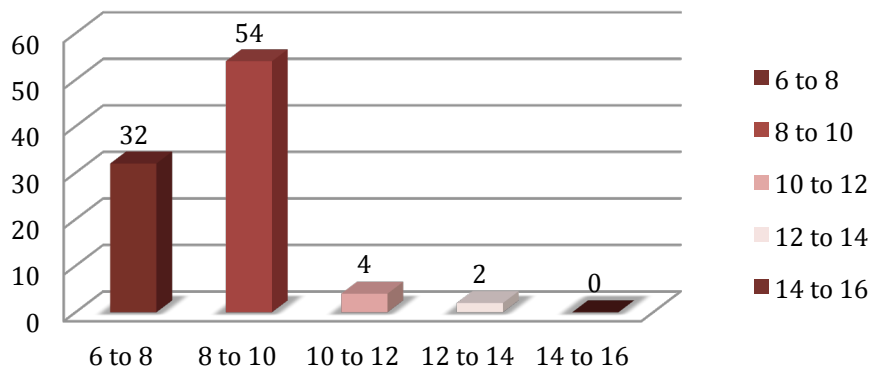
**7. If you do not consume seedless grapes please indicate the reason(s)**



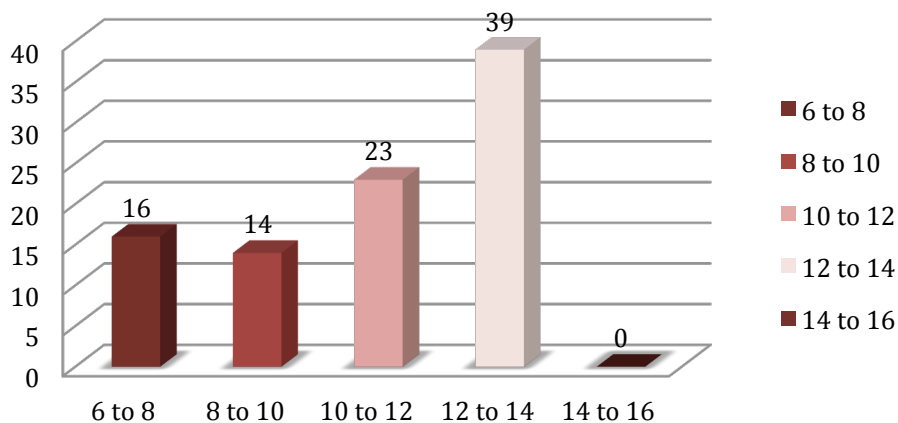
**8. If the previous answer was yes please classify from 1 (totally disagree) to 5 (totally agree) the following reasons:**

	Totally Agree	Agree	Neither Agree or Disagree	Disagree	Totally Disagree
Very tasteful	57	6	6	0	0
Easy to consume when compared with seeded grapes	48	16	4	1	0
Good relation quality-price	6	54	8	1	0
Especially adequate to children	50	14	5	0	0
Especially adequate for parties as they are a more sophisticated product	48	15	6	0	0

**9. How much would you be willing to pay for a kg of seeded grapes? (Values in dollars)**



**10. How much would you be willing to pay for a kg of seedless grapes? (Values in dollars)**



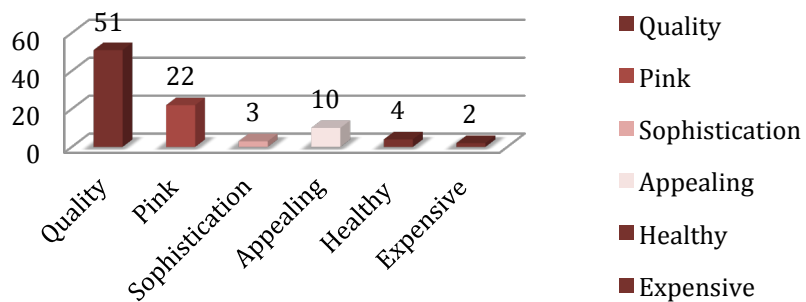
**11. Do you consider that the brand is relevant when you purchase table grapes?**



**12. Do you know Vale da Rosa brand?**



**13. Please indicate the characteristics you associate to the brand**



**14. If the answer to the question “Do you know Vale da Rosa brand?” was yes, please classify the following sentences from 1 (totally disagree) to 5 (totally agree).**

	Totally Agree	Agree	Neither Agree or Disagree	Disagree	Totally Disagree
I believe there is a great amount of information about the Vale da Rosa and its products	0	0	28	18	10
I believe the firm's products are not seen in many supermarkets	2	29	25	0	0
I believe the firm's products are highly visible in the supermarket	0	21	32	3	0
I believe Vale da Rosa's package is not easily distinguishable from others in supermarkets	0	4	36	16	0
I believe Vale da Rosa's package is very appealing	12	34	9	1	0

### Sample Characterization

